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Fiat's new culture

How deep and durable is the evolution?



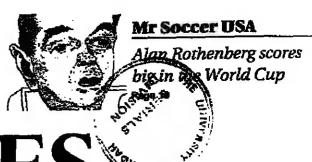
High-tech anxiety

Danger zone: infatuation with innovation Economic Eye, Page 20



After Kim II-sung

What next for North Korea?



FINANCIAL TIMES

MONDAY JULY 11 1994

Israel on brink of showdown with illegal settlers

Europe's Business Nevisoaper

Israeli premier Yitzhak Rabin has sent hundreds of soldiers to the Kiryat Arba Jewish settlement and sealed off the West Bank, in what could be Israel's first armed showdown with extremist Jewish settlers. The move came on the eve of the permanent homecoming of Yassir Arafat, the Palestine Liberation Organisation chairman.

Several hundred Israeli troops were braced to forcibly evict radical settlers who broke into and illegally occupied three vacant governmentbuilt apartment houses near Kiryat Arba settlement. The action was in protest at Israeli peace moves and the killing of a Jewish teenager by a Palestinian. Page 16

VW wins \$308m subsidy in Spain: Volkswagen, the German car group, has won Pta40bn (\$308m) in state subsidies for Seat, its loss-making Barcelona subsidiary, after 10 weeks of bargaining with the Spanish government. Other companies are now likely to press for similar

US tough line on Halti: William Gray, US president Bill Chinton's adviser on Haiti, said presonent shi Camour's adviser on Hain, said resolution of the island's crisis had now become "a vital interest" to the peace and stability of the western hemisphere. He warned that the military dictatorship, from which 10,000 Haitlans fled last week, would not be allowed to remain in power. Page 4

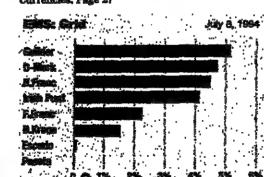
EC to encourage mobile telecoms: The European Commission is expected to show its determination to speed up the liberalisation of Europe's telecommunications industry by forcing through legislation that will let mobile telecoms operators build their own networks. Page 3

Matra may buy Bae space arm: British Aerospace and Matra Marconi Space are to hold a new round of negotiations in Paris this week over the possible sale of BAe's space systems division to the joint venture company between the French Lagardere technology and media group and the UK's General Electric Company. Page 19

Fokker to receive Fi 1 bn: Fokker, the loss-making Dutch sircraft maker, is to receive around Fl1bn (\$550m) from its majority shareholder, Deutsche Aerospace of Germany, and from the Dutch government. Page 19

UK gifts rise in fund managers' favour: UK fund managers are increasingly optimistic about UK gilts and equities and Japanese equities. They also view the recent weakness in bonds and equilies as a good buying opportunity, rather then an ill omen, according to a survey of leading UK investment funds. Page 19

European Monetary System: Dollar weakness and D-Mark strength caused a shake-up at the top of the EMS grid last week. The Irish punt slipped from first to fourth place, the Dutch guilder rose from second to first, and the D-Mark climbed to second spot above the Belgian franc. The spread between the strongest and weakest currency the peseta, remains near 5 per cent.



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Close presidential race in Ukraine: A close race is predicted between the two candidates in the election for Ukraine's presidency – the incumbent, president Leonid Kravchuk, and a former prime minister, Leonid Kuchma. Preliminary returns showed voting was especially heavy in flercely nationalist western Ukraine.

Thousands flee in Rwanda: Hundreds of thousands of people are fleeing a rebel offensive in north-west Rwanda, creating a fresh humanitarian crisis outside the safe haven declared by French forces further south, aid workers said. France steps up plea for support, Page 4

Troops ordered out of Yemen: Yemen president Ali Abdullah Saleh ordered northern troops out of the captured city of Aden and offered etter ties to neighbouring Saudi Arabia, which acked the defeated south in Yemen's war.

Alitalia strike today: Italy's transport minister Public Flori failed to avert an airline workers' strike that threatened to ground most Alitalia flights and cause delays at some airports. Page 3

Reformer ahead in Belarus: Self-styled corruption buster Alexander Lukashenko seemed headed for victory in his drive to become the first president of the former Soviet republic of Belarus. Page 3

Caracas reopens exchange: Limited foreign exchange transactions are expected to recommence in Venezuela today after suspension by government order for more than two weeks. Page 4

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Luxembourg PM leads in race to succeed Delors

By Lionel Barber in Naples

The contest to succeed Mr Jacques Delors as president of the European Commission has narrowed to three candidates led by Mr Jacques Santer, the longserving prime minister of Luxembourg.

Mr Santer, who has solid German support, has emerged as a potential compromise after informal contacts between the leaders of France, Germany, Italy and the UK at the weekend summit of the Group of Seven industrialised

nations in Naples. Senior Euro-pean diplomats in Naples said it was possible that an agreement among the Twelve could be reached in the next few days, to be ratified at the special summit in Brussels on Friday called by the German presidency of the

However, Mr Santer's succes is by no means assured. He still faces challenges from Mr Poul Schlüter, an experienced former Christian Democrat prime minister from Denmark, and Mr Giuliano Amato, the former Socialist

prime minister of Italy who steered his country through its recent political upheaval. France also has misgivings

about the Union's caving in prematurely to the British veto of Mr Jean-Luc Dehaene, the Belgian prime minister promoted by Paris and Bonn. France is resentful that Mr John Major, UK prime minister, has reaped a domestic political victory over his lone opposition to Mr Dehaene at last month's Euro-Mr Ruud Lubbers, the Dutch prime minister, and Mr Felipe pean summit in Corfu.

But Mr Kohl appears deter-

mined to strike a deal in time for the Commission president-designate to appear on schedule before the new European Parliament at its inaugural session on July 19 in Strasbourg. "The chancellor does not want

a crisis with the Parliament," said one senior EU diplomat. Further delay would disrupt the German presidency of the EU. Mr Santer is a dark borse who has emerged after better known candidates such as Mr Dehaene,

His appeal lies in his Christian Democrat party background and his small-state credentials, both important factors after the 10year reign of Mr Delors, a French

out of the running.

been blocked or taken themselves

socialist. He is also a Francophone, a vital concern to Paris. Mr Santer's strongest card seems to be that he seems unlikely to offend anyone, although the Danes are unhappy that the Commission presidency may fall to Luxembourg for the

González of Spain have either second time in 14 years. Mr Gaston Thorn, a former Luxembourg prime minister, preceded Mr Delors in 1981-85.

A senior Commission official warned yesterday that a deadlock between Mr Santer and Mr Schlüter might force France and Germany to reconsider Mr Lubbers or Viscount Etienne Davignon, the former EU industry commissioner. Both Mr Lubbers and Mr Davignon are viewed as representing a strong Commission.

Germany's agenda, Page 16

G7 leaders welcome

on prospects for growth

Summit issues upbeat message

Russia as full partner

By Peter Norman and Robert Graham in Naples

The Group of Seven leading industrial democracies yesterday drew a line under the cold was era, embracing Russian president Boris Yeltsin as an equal partner in their annual review of interna-

tional relations.

The leaders of the US, Japan,
Germany, France, Britain, Italy
and Canada, together with the president of the European Commission also sent a message of heightened optimism that their countries are back on a path of sustained, low inflationary growth. In spite of recent financial market turbulence over a weakening dollar, the Group of Seven abstained from commenting or offering the US currency overt support.

However, using carefully co-ordinated speaking notes, G7 finance ministers stressed their belief that the dollar's fall was not warranted by economic fun-

damentals.

Mr Yeltsin's full perticipation at yesterday's "political G8" meeting and his agreement to a joint statement covering international flash points was hailed by fellow leaders as the summit's real achievement. Mr Yeltsin himself said that the recognition of Russia as a democratic state was the most important aspect of the summit for him.

On Bosnia, the most delicate issue for the G8, Mr Yeltsin

to convince ---

Smiles all round in readiness for a scrap ... Page 2 ...Page 15 joined in warning the warring

factions to agree to the latest peace plan by July 19. According to his G7 partners, Mr Yeltsin accepted that Russis would exert maximum pressure on the Serbs, its traditional allies. But the Russian president fiercely defended his country's

sovereign interests in what has been described as the world's most exclusive club. Speaking after the conference and bilateral talks with US Presi-

dent Bill Clinton, Mr Yeltsin called for the lifting of restric-tions against Russian exports. "I threw off the red cloak a good three years ago," he said, reminding his audience that Russia should no longer be treated as a communist state.

Symbolising the new relation-ship with the industrialised nations, this year's summit was notable for the absence of any demand for economic hand-outs from the West, Instead, Mr Yeltsin persuaded the G7 that sharply lower inflation and greatly reduced budget deficits showed the Russian economy



Kim Jong-il poised to replace father

By John Burton in Secul

Mr Kim Jong-il appeared ready to take control of North Korea yes-terday after the death of his terday after the death of his Korea. He emphasised his desire father, Kim fl-sung, as Radio to avoid the "isolation and mis-Pyongyang urged the country's understanding of the past citizens to support the son as between the two countries.

North Korean television aired scenes of thousands of weeping citizens bowing before the numerous statues of Mr Kim IIsung erected around the country as part of the personality cult that was at the centre of his 45

years of rule. The death of Mr Kim has led to the suspension of negotiations between the US and North Korea. which has also postponed a summit with the South Korean leadership designed to ease tension on the Korean peninsula. Western leaders were quick to

send conciliatory signals to North Korea.

the Russian economy
In Naples for the Group of Seven summit, US President Bill Clinton said he had conveyed to

tion" of the role the late leader had played in resuming a dialogue between the US and North

The US and its allies also made clear, however, that they would continue to press North Korea over its suspected nuclear weapons programme. South Korean officials pre-

dicted that Mr Kim Jong-il would succeed his father in the powerful position of general secretary party, which controls the government and military. But he may allow an elderly official to assume the figurehead position of president.

Mr Kim, 52, believed to repre-

sent a younger generation of technocrats, needs to forge a political alliance with the conservative leaders of his father's generation to ensure his control.

He lacks the revolutionary credentials of his father, and while already commander-in-chief of the North Korean armed forces, he is believed to have failed to

This advertisement appears as a matter of record only

of the ruling Korean Workers' achieve complete control of the

The KWP and the North Korean parliament are expected to hold emergency sessions in Pyongyang as early as today to elect a general secretary and president. Preparations continued for the funeral next Sunday of the late president, whose death was announced at noon on

Continued on Page 16 Obituary and further reports,

A future in the balance, Page 15 Cartoon, Guide to the Week

IBM plunges in year to foot of brand name value league

IBM has plunged in one year from the third most valuable brand name in the world to the bottom of a league table of 290 brands, according to an annual survey that attempts the contro-versial task of evaluating "what's in a name"

Coca-Cola is ranked number one in the league table, with a brand name worth nearly \$36bn, followed by Marlboro (\$33bn), Nescafé (\$12bn), Kodak (\$10bn), and Microsoft (\$10bn).

The survey, to be published by US magazine Financial World on August 2, uses a complex formula to arrive at its rankings. After breaking down company earnings by brand, it then subtracts what it calculates would be earned on a basic, unbranded version of the product.

To that figure it applies a "brand strength" multiple based

War War

on factors such as market posi-tion, degree of internationalisa-tion and trends in the sector. Using the formula – which was originally developed by Interbrand, the UK-based brand consultancy - the value of the Compaq name climbed 149 per cent in 1993 to a value of \$4bn and a league table position of 21, compared with a position of 65 in

Meanwhile, IBM's name now has a negative value, says Financial World. That means that plant and equipment expenses and taxes wiped out any brand

Other brands falling into this "negative worth" category include: Del Monte, Siemens, Corning, Krups, Moulinex, Michelin and Pirelli. The magazine says: "A competing generic prod-uct could have generated higher profits on the same level of

Evaluating brands, and

intangible assets on balance sheets, is a controversial area. chairman of Unilever, the Anglo-Dutch consumer products group, criticised "fancy brand accounting" in a speech in London to the Advertising Association.
"The seemingly miraculous

conjuring up of intangible asset values, as if from nowhere, only serves to reinforce the view of the consumer sceptics, that brands are just about high prices and consumer exploitation. At Unilever we have consistently rejected this approach," he said. Financial World points to IBM's failure to switch into per-

sonal computers, "and as PCs became more and more of a commodity, they began selling more and more on price". But it adds: "The fact that PCs are still referred to as 'IBM-compatible' is something IBM can capitalise

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Eastern Electricity plc

£350,000,000 83/8 per cent Bonds due 2004



N M Rothschild & Sons Limited advised Eastern Electricity on this issue and on the subsequent buy-back of £118 million of its Government debt due 1999 and 2008.

May 1994

Smiles all round in readiness for a scrap next year

Peter Norman reports on harmony in Naples as G7 leaders agree to look at what world institutions are needed

t was a case of smiles all round at this year, and Nato, it will see year's double decker summit in Naples of the Group of Seven and the "politi-" industrialising coun
They also agreed to carry forward to years bence.

They also agreed to carry forward to years bence.

"sea change" in the way the summits are national interests and achieve Mr Clinton's goal of setting the agenda for 30 to make the interdependence of industrialising coun
They also agreed to carry forward to years bence. cal G8," comprising the G7 plus Russia. The marked improvement of the industrial world's economy, the completion of the Uruguay Round of trade liberalisation talks earlier this year and the absence of

any truly bruising rows made for a harmo-

nious, if rather bland, gathering. Next year could be different. When they meet in Halifax, Nova Scotia, the leaders of the US, Japan, Germany, France, Britain, Italy and Canada will begin reviewing the institutions of global co-operation with the intention of making them more suitable for the post cold-war world. Taken to its logical conclusion, this could mean big changes for some of the smaller members of the G7 club.

The world has been transformed since the first economic summit in 1975. Communism has collapsed and the countries of east Asia have emerged as an economitries alike. Mr John Major, UK prime min-ister, said yesterday that the international situation was changing at "bewildering

And yet, as President Bill Clinton pointed out on Saturday, the links among countries are governed and regulated largely by institutions "that we settled on at the end of World War Two".

With this in mind, the G7 agreed in its communiqué that next year's summit will ask what institutions will be required to meet the challenges of the 21st century. That is a commitment to discuss in Halifax what we want the world to look like 20 years from now." President Clinton said.

The review will encompass those institutions which were set up to foster co-operation in the post-war world, such as the International Monetary Fund and World Bank, which are celebrating their 50th

Trade Organisation, and the Partnership for Peace

Inevitably, the nature and role of the G7 will be discussed. Although conventionally described as the group of the world's "leading industrial nations" it imperfectly reflects the global economy. It is heavily Eurocentric, excludes the Hispanic nations (even though Spain can claim to have a bigger economy than Canada) and barely represents Asia.

be Group's attempts, in recent years, to co-ordinate economic pol-icy closely have as often ended in failure as success. This was the case when attempts to hold exchange rates steady after the Louvre Accord in 1987 proved detrimental to the overall goal of steady,

non-inflationary growth.
On the other hand, the G7 heads of gov-

has been scathing of G7 summitry, said they got through a "wealth of work in extremely fruitful discussions" at the

The G7 enhances the networking capacity of its members in other groupings. The US, France and Britain are members of the UN Security Council. All except Japan are in Nato. It contains four European Union members; two signatories of the North American Free Trade Agreement (Nafta) and, with Japan, is represented by three countries in the Asia Pacific Economic Co-operation forum. The G7 is especially valued by Japan, which is not represented in Nato, Nafta, the EU or the UN Security

The leaders were enthusiastic about the greater informality of the weekend summit and plan an even less scripted approach next year. Mr Major spoke of a

Halifax this year's format of following the G7 economic gathering with a political G8 in which Russia is a full, equal ranking partner. According to Chancellor Helmut Kohl of Germany, this recognition of Russia's contribution to global politics was the most important aspect of this year's sum-

or President Boris Yeltsin, the high-light was recognition of Russia as a partner and democratic state. If the presence of Russia at yesterday's meeting is any guide, the G7 can claim to have exercised a positive influence in helping the former communist countries along the difficult road to market-based economies. But two big doubts remain. The group is at its most effective when dealing with short-term crises. It is unclear how far seven such different states can reconcile

Looking ahead to 2014, it is uncertain whether the present G7 membership can be justified. Although Russian President Boris Yeltsin yesterday made clear that Russia was not hurrying to join the economic G7, because of its current difficulties, Russia's long-term ambition is to join the group. Four EU nations in its ranks will look even more imbalanced then. There is the also question of Chinese participation if Beijing ever moves to plural. ism and democracy.

Although Chancellor Kohl yesterday went out of his way to praise the "better climate of co-operation", such questions will be lurking in the background when the leaders meet in Halifax.

As the questions involve pecking order and prestige, they could make for much more vexing discussions than in Naples

Plan to

more jobs

endorsed

By Kevin Brown in Naplet

The Naples summit endorsed a

seven-point plan to deal with

the "unacceptable waste" of

unemployment, which stands

at 24m in the G7 countries and

35m throughout nations of the

Organisation for Economic

Co-operation and Development. Mr Silvio Berlusconi, Italian

prime minister and summit

chairman, said economic recov-

ery was already creating jobs

and putting the unemployed

back to work in "more and

Mr Berlusconi said the jobs

plan would build on the con-

clusions of the OECD Johs

Study published last month.

which recommended a broadly

deregulatory path to accelerate

more" of the G7 countries.

create

Clinton drops trade talks plan fails to

By George Graham and ter Norman in Naples

President Bill Clinton has been forced to abandon his plan to bulldose a new round of multilateral trade talks on to the

international policy agenda.

The US backed off, this weekend, from proposals for a new round of talks on removing trade barriers in areas such as financial services, telecommunications and investment rules, under pressure from other Group of Seven members. But Mr Clinton won a commitment from the Naples summit to "continue the momentum of trade liberalisa-

Mr Clinton floated his proposals in a letter to his colleagues just ten days ago, but ran into strong opposition from President François Mitterrand

Mr Mitterrand warned the prospect of a new round of trade negotiations could jeop-ardise the chances of persuading the French parliament to ratify the free trade measures just concluded in the Uruguay Round of the General Agreement on Tariffs and Trade. Mr Jacques Delors, the European Commission president,

Mr John Major, the British

prime minister, left Naples yes-

terday buoyed by summit suc-

cesses on jobs, institutional reform and debt restructuring but regretting the G7 leaders'

timidity on trade liberalisation.

was describing Mr Major's per-

formance as a triumph. But

officials said he had achieved

most of his summit objectives.

the summit refused to accept

the US agenda for broad trade

liberalisation in spite of strong

British support for "further

and faster" progress towards

free trade in areas such as ser-

successes to report:

But he will also have several

The summit agreed to Brit-

ish proposals for a reduction in the stock of debt owed by

Paris Club of creditor nations,

The agreement provides for

debt write-offs of 66 per cent

Mr Major will tell MPs today

No one in the British camp

Major achieves

most objectives

said the initiative could also raise problems for other European countries, as well as for

developing nations such as India and Morocco. But the G7 leaders said the drive for freer trade could not stop with ratification of the Uruguay Round agreement. They agreed the trade issues left unresolved by the Uruguay Round should be taken up at a meeting this autumn of the "Quad" trade ministers - a grouping of the US, Japan, Canada and the EU which overlaps with the G7 - and reviewed at next year's summit in Halifax, Nova Scotia,

In fact, the country where ratification appears most in danger is the US, and Mr Clinton's initiative, dubbed "Open Markets 2000", appeared designed to win over some wavering centrist members of Congress who worry the Uruguay Round agreements do not go far enough to liberalise trade in crucial areas such as telecommunications.

Canadian and German officials indicated that the problem with Mr Clinton's initiative was not so much its substance, which all countries approved, as its last minute

The leaders adopted a

broadly deregulatory plan for job creation which reflects

many of the British govern-

ment's concerns about over-

regulation and inflexible

President Yeltsin's presence

at the political session yester-

day followed strong British

pressure for greater Russian

towards identifying an accept-

labour markets.

Dollar statement convince

By George Graham in Nanies

Finance ministers of the Group of Seven leading indus-trial nations repeated their belief in the need for a stronger dollar, but falled to dispel concern that they still disagree on what to do about the weakness of the US currency.

The finance ministers, using words negotiated in advance, said they "agreed that the underlying fundamentals are sound, and that the conditions for an enduring recovery with low inflation are now in place in each of our countries".

They expressed concern nevertheless, over foreign exchange volatility, and "agreed recent movements in exchange rates are not in line with the basic conditions prevailing in our economies"

The US resisted efforts by some G7 states to incorporate the statement in the formal communiqué issued by heads of government. US officials said they wanted to keep the communiqué for longer term issues, and appeared determined to treat the dollar's weakness as a short-term manifestation of foreign exchange markets' irrationality.

"I've quit trying to antici-pate what's going to happen insofar as the currency mar-kets are concerned." Mr Lloyd Bentsen, US Treasury secretary, said yesterday. The cur-rency markets, however, have not quit trying to anticipate what is going to happen when Mr Bentsen and President Bill Clinton talk about the dollar. For weeks, the US adminis-

tration has tried to enforce a strict blackout on exchange rate comments by anyone but the laconic Mr Bentsen. In the days before the G7 meeting that blackout broke down. The biggest breach came at the summit itself, when Mr

Clinton in effect ruled out participation in the summit. Mr Major said he raised the either intervention or changes issue at last year's G7 summit in macroeconomic policy to in Tokyo and discussed it with that the dollar's weakness. President Yeltsin during his "If we continue to pursue February visit to Moscow. growth without inflation and to work on generating new jobs out of that growth, then The summit called on Iran to stop supporting terrorist movements after British eventually the macroeconomic appeals for action to stop the realities will assert themselves flow of funds from Tehran to and the currencies will be righted," Mr Clinton said. the Provisional IRA. Talks in the margins of the conference made progress

US officials assured reporters there had been no intention of presenting a different policy on the dollar. Mr Bentable candidate for successor to developing countries to the Mr Jacques Delors as Eurosen, apparently anxious to pean Commission president. Mr Major discussed the Issue with Chancellor Helmut Kohl, inter the impression the US bad abandoned thought of intervention, hastened to reopen the possibility.



Boris Yeltsin (right) and Bill Clinton come to an understanding with the help of their hands and two interpreters

Pressure stepped up over Bosnia

Yeltsin to discuss Estonia pullout

past,
Mr Clinton, who met Mr Mr Yeltsin and Mr Clinton
Meri last week, said he set a goal of agreeing on a suc-

By Kevin Brown and

The foreign ministers of Britain and France will head to former Yugoslavia tomorrow with a mission to put "massive pressure" on the warring parties in Bosnia to accept the current peace proposals or face

foreign secretary, and his French counterpart, Mr Alain Juppe, will be carrying a mes-sage from the Naples summit that the warring sides must accept the peace plan by the deadline of July 19. "If the opportunity is not

seized, there is a grave risk of Serbs was implicitly acknowl-a renewal of war on a larger edged by President Boris Yelt-

By George Graham, Bruce Clark and Davitry Volkov

President Boris Yeltsin of

Russia yesterday agreed to meet President Lenpart Meri of

Estonia in an effort to solve

their dispute over the with-drawal of Russian troops from

But Mr Yeltsin said flatly,

after talks with US President

Bill Clinton following his meet-

ing with the Group of Seven

leaders in Naples, that Russian

troops would not be out of

August 31 that Russia itself had set.

scale," Mr Silvio Berlusconi, the Italian prime minister and summit host, said yesterday on behalf of the eight world lead-ers who gathered in Naples. Mr John Major, UK prime minister, warned: "The consequences of not reaching a set-

tlement will be very serious." There was general agreement at the summit that parwho have kept an open position on the peace proposals while their adversaries in the Moslem-Croat coalition have sent more positive signals. Western diplomats said the

This rebuff drew a grimace

from Mr Clinton but was only

one of a series of spirited but cordial disagreements between the two presidents at a joint

press conference after their

The presence of Russian

troops in the Baltic republics

nearly three years after they broke free of the Soviet Union

is one of the most contentious

issues between the US and

Russia and is seen in the Bal-

tics as a critical signal of

whether Russia has turned its

back on its Soviet imperial

need to put pressure on the

sin despite Russia's traditional sympathy with the Serbs. Under the peace initiative in

Geneva last week, the warring parties can expect intensification of international sanctions if they fail to comply with the plan, and generous economic aid if they fall into line. As Germany's Chancellor Helmut Kohl said yesterday: "There Mr Douglas Hurd, the UK ticularly strong pressure must will be no help for anybody oreign secretary, and his be put on the Bosnian Serbs, who resists."

British officials said there was a danger that the Serbs would formally agree to the plan while failing to comply in practice. They would be told that only full compliance would earn them relief from economic sanctions. Mr Hurd and Mr Juppe, trav-

Mr Yeltsin criticised the

Estonian government for "very

crude violations of human

rights toward the Russian pop-

ulation, and especially military

Mr Yeltsin, relishing his new

status as a full participant in the political discussions of the

Group, also attacked the US for

discriminating against Russian

exports and urged it to follow the example of the European Union, which has agreed to lift

believed agreement on a with-drawal by August 31 could be the organisation that used to

leaders who met in Naples but not as their formal emissaries. will have a blunt message for the Serbs. They will say that if the Serbs fail to adhere to the plan there will be no chance of stopping the US and perhaps others from ending the arms embargo against the Bosnian

In the mayhem that could ensue, the UN peacekeeping force, in which Britain and France play a leading role. would have to be withdrawn. Things are not too bad now, but the present situation is unstable and it will start to slide back downhill quite fast if the plan fails," a British offi-

regulate miltarily sensitive

exports to the Soviet bloc, by

the time they meet in their

next summit in Washington on

September 27-28. US officials welcomed Mr

Yeltsin's promise to try to

limit Russlan exports to terrorist countries, which has been one of the issues blocking

agreement on the Cocom suc-

cessor.
The US has offered \$2m to

help clean up a nuclear facility

vide vouchers worth \$25,000

in Estonia, and will also pro

employment creation. The seven-point plan drawn up by the leaders calls for:
• Improved skills through better education and training;
• Reduced labour rigidities through lower indirect employelling with the blessing of the ment costs and fewer regula · Active labour market policles to enhance incentives for

the unemployed to seek work; Assistance to promote innovation and the spread of new technology, including an integrated infrastructure for global communications; Job creation in the leisure and environmental protection

industries, which are regarded as potential high-growth areas;
• Increased competition
through elimination of unnecessary regulations;

• Programmes to enrol employers and trade unions in the search for new jobs. Officials conceded that the programme adds little to the conclusions of the OECD report and the Detroit summi

on jobs, called by President Clinton, which preceded it. There was no binding agreement on how to implement the plan, leaving G7 countries free to decide how to apply it to such contentious issues as minimum wage legislation and

social security programmes. However, the agreement was hailed as a break-through by Mr John Major, the British prime minister, who set out to make job creation one of the main themes of the summit.

Mr Major said the impact of the plan would be to commit

the G7 governments to the principles of deregulation and labour market reforms to create lasting jobs. "That was a very novel idea two years ago when it was produced primar-

ily, though not exclusively, by the British," he said. Mr Major said the growing pace of economic recovery and the G7 leaders' commitment to consider further trade liberalisation measures next year rates and create more jobs.

Ukraine offered funds to close Chernobyl nuclear plant

Estonian soil.

Eight years after the nuclear power plant explosion in Chernobyl disrupted a G7 summit in Tokyo, the world's leading industrial nations agreed to offer Ukraine an action plan that would close the plant. Japan, Germany, France, Britain, Italy and Canada,

the European Commission, agreed to provide up to \$200m (£129m) in grants as an initial payment to shut down Chernobyl. The funding would be additional to the Ecu500m (£390m) in grants and loans offered by the European Union after its summit in Corfu last The C7 leaders from the US, month to help close dangerous plants and complete replace-

Provision of the funds will be conditional on action by Ukraine. The country, which yesterday held a second-round run-off poll in a presidential election, would be expected toshut Chernobyl as "an urgent priority".

Ukraine would also have to agree to early completion of for the concern expressed three new reactors with adequate safety standards, com-

including higher prices, increased energy conservation and use of other energy sources. It is expected that talks between G7 representatives and Ukraine will begin soon after the Ukraine election results are clear.

The G7 meeting was notable about the Ukraine economy. The leaders urged Ukraine to embark on genuine economic

reforms, promising up to \$4bn in finance from the International Monetary fund and other institutions over two years in return.

The weekend nuclear safety offer was a hard-won victory for Mr Helmut Kohl, the German chancellor. Together with Mr François Mitterrand, the French president, he urged other G7 members to act and

dangerous Soviet-designed with Germany promising to nuclear power plants. Some G7 nations, such as Japan and Britain, were reluc-tant to provide large-scale

funding. After an all-night working session that began on Friday, the sherpas, senior officials who prepare the summit agreed on a sum of only \$100m. This was raised to "up to \$200m" when the leaders dis-

provide DM50m, or about 17 per cent of the total. The G7 pledges, together

with \$115m in grants promised by the EU in Corfu, should provide about \$300m to close down Chernobyl - the amount experts say is necessary for the first stage of the operation. It is estimated Ukraine needs

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Delegates presented with a feast of puns and pasta

If the summit was all about increasing personal ties, Silvio Berlusconi chose to pun himself into history by presenting each of his male guests with a special G7 tie. Naples has several famous handcrafted tie-makers and Mr Berlusconi with attention to detail as host reportedly chose the design. Each The prize for the best intentioned one was made to measure. To ensure a tie suited Helmut Rohl, the bulky West German Chancellor, Mr Berlus- justifiable pride has been showing coni decided on an extra 30cm of off the marvels of his city to the

ered by local craftsmen with every gift imaginable. The hangers-on were not forgotten either, with a special packet of G7 pasta from a local company whose courtesy card boasted of its "quality assurance and pun must go to Antonio Bassolino, left wing mayor of Naples who with

The wives meanwhile were show- After meeting Britain's John Major, he remarked they had something in common: A Neapolitan pronunciation of the premier's surname came up with a sound like "Mayor".

☐ The proprietor of the Di Matteo pizzeria who managed to interest Bill Clinton in a pizza on the US president's walkabout in the historic centre, confessed yesterday to a certain puzzlement about Mr Clinton's gourmandise. "He wanted a pizza Margherita topped with onions, salami and fried potatoes. . a little strange." This concection didn't seem to prevent Mr Clinton from his habitual early morning jogging, a rite performed along the Naples sea-

☐ This has been the summit where the wives have gone their own way. Rilary Rodham Clinton passed over "Swan Lake" at the San Carlo opera house in the company of Veronica Lario, Mr Berlusconi's wife. She chose instead to visit Ravello and its most illustrious resident Gore Vidai, the American writer who has a villa

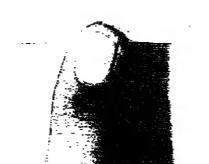
there with spectacular views over the Amalfi coast. Like Jacqueline Kennedy before her, who also visited Vidal there, she was made an honorary citizen of Ravello.

☐ Health has been on the minds of everyone after the gastric complaint that felled Japanese premier Tomiichi Murayama. French president François Mitterrand looked clearly wan from the suffocating heat; and on Saturday evening after he had for a gala dinner he looked extremely frail. The exceptional heatwave took its

toll on many of the delegates in the form of dehydration; and the 2,700 journalists were for once at the trough only for water and soft By the end of the summit, the girls

distributing free Coca Cola had bandages on their fingers, raw from opening so many cans.

Robert Graham



EXt year Kravchuk tries to show Kuchma as Moscow's man Heavy nationalist vote favours Ukraine president

By Chrystia Freeland and Jill Barshay in Kiev

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Ukrainians trudged to the polls amid heavy fog and rain yesterday in large enough numbers to elect a new president. A close race is predicted between the two candidates in the run-off for the presidency:

the incumbent, President Leonid Kravchuk, and a former prime minister. Mr Leonid Kuchma. Results are not expected to be known until late today.

Preliminary returns showed that voting was particularly heavy in fiercely nationalist western Ukraine, but turnout



was lower in the Russian-leaning eastern regions. This trend could give an edge to Mr Kravchuk, who won clear backing from nationalist constituencies throughout the country in the first round of voting last

As in neighbouring Belarus, where presidential run-offs were also held yesterday. Ukraine's presidential debate centred on national independence and links with Russia, which still exerts a powerful influence over all the former Soviet republics. Mr Kravchuk has sought to

shift the campaign away from his disastrous economic record and positioned himself as the sole guarantor of independence, while portraying his opponent, Mr Kuchma, as Rusa's henchman because of his wish for closer ties with

Fighting for his seat on national issues could win Mr Kravchuk a second mandate, a remarkable achievement for a eader whose reign has been marked by deep industrial decline and hyperinflation. However, Mr Kravchuk's strat-

box of potential national distral Ukraine, which are backing the president, and Russian-speaking eastern Ukraine, where Mr Kuchma's pro-Russian agenda is highly

Mr Kuchma's team and Ukrainian insiders claim that Mr Kraychuk could benefit from vote-rigging by local bureaucrats, who remain beholden to the president. Western officials admit that there have been minor procedural violations and that Mr Kravchuk has enjoyed the advantages of incumbency, but they are generally convinced the elections have been free

In contrast with the presi-dential race, which has offered Ukrainians an often agonising choice "between two evils", many of the mayoral and gubernatorial elections also held yesterday throughout the country are promising real

For example, Kiev's mayoral contest is pitting a democratic market reformer against a presidential appointee, albeit a

"It's no problem to find a



Zil drives back from brink

State and free market come to carmaker's aid, reports John Lloyd

Il. Russia's best known and most prestigious car-maker, is being saved from bankruptcy by a unique mixture of state support and free market principles. The restructuring enviscost-cutting. ages diversification and international co-operation.

The saving of the company. the "father of the Russian motor industry", is akin to the government bail-out of Chrysler in the US in the 1980s or the nationalisation of Rolls Royce in Britain in the 1960s. It shows a government deter-mined to preserve its engineering heartlands - at heavy cost to the budget and even to the extent of changing policy by raising tariffs on foreign imports to protect its market.

However, it also shows that the company has entered into agreements with foreign partners and is cutting the workforce, particularly among administrators. It has shed a conservative top management

and is trying to create a new, young management team. It is even trying to attract Mr Lee Iacocca, former head of Chrysler or another senior retired car executive, to come to Russia to advise the new management on how to rescue a sinking company - as Mr lacocca did with Chrysler.

Zil, which makes trucks and

buses, limousines, refrigerators and other white goods and engineering products, had virtually collapsed earlier this year under a massive load of debts, as its state orders for its vehicles fell to a fraction of their former volume. It currently produces 15 to 20 limousines a year and under 100,000 lorries, from 300,000 at full capacity. Its 120,000 workforce began to desert as pay fell or was not delivered. Management efforts to pressure the government with demonstrations produced no response.

In May, the shareholders among which the most powerful are Moscow City Council

and two big financial groups elected a new president of the board in Mr Alexander Vladislyaviev, deputy head of the Russian Industrialists Union and a prominent centrist political figure. The board last month appointed a new chief director, Mr Valery Saikin, who replaced Mr Yevgenny Brakov, demoted to vice president in charge of forming a new finance group. Mr Brakov

had been best known for running as the official Communist party candidate against Mr Boris Yeltsin for a seat in the old Supreme Soviet in 1990. n an interview with the Financial Times, Mr Vladislyavlev said Zil was seeking, or had reached, joint ven-

ture agreements with the US companies Caterpillar, Paccar, General Motors and the French group Renault for the production of trucks, buses and

The government had placed orders for 24 new Zil limou-

promised Rbs26hn and \$35m for research and development of the upgraded model.

The company is pressing the government to erect high tariff walls to protect its products and with them, other products of the Russian automotive industry

Mr Vladislyavlev, who said he was confident that the government would agree, said: We must close the market to protect its development - but within that market, we want foreign companies to operate and to sell the products they make with us."

The company overall is being radically restructured into a bolding company with separate product groups, in some of which the holding company may have only a minority

In the longer term, Mr Vladislyavlev says it will offer some 10 per cent of its shares to foreign investors, at a price set at

Reformer hopeful in Belarus poll

Self-styled corruption buster Alexander Lukashenko seemed headed for victory yesterday in his drive to become the first president of the former Soviet republic of Belarus, Reuter reports from Minsk

The central election commission said that by 3pm local time 52 per cent of more than 7m voters in the conservative republic had cast their ballots, clearing the required 50 per cent barrier. Polling was to end

after the first round, had won popularity with promises to halt inflation and clean up the state apparatus, which he says is corrupt from top to bottom.

"My first move will be to fight corruption, first of all at the top. My list of corrupt government officials is growing and only two members of the government leadership will be able to stay in their posts," he said after casting his vote in Shklov, 200km north-east of

"I am voting for myself. For

the first time a simple man has a chance to vote freely for a man just like himself," he said. Mr Lukashenko, 39, a populist with no experience of state administration, got a surpris-ing 45 per cent of the vote in the first round of voting in June against 17 per cent for Mr Vyacheslav Kebich, prime min-

per cent plus one vote. Mr Lukashenko has yet to announce a coherent economic

prime minister, it's easier than finding a milkman," he told Until now, the nominal head of state has been the chairman

of parliament.

ister. In yesterday's run-off round, the winner had to get 50

Alitalia strike for today

transport minister, falled yes-terday in an attempt to avert an airline workers' strike that threatened to ground most Alitalia flights and cause delays at some airports, AP

reports from Rome. The 24-hour strike scheduled for today affects all international and domestic flights from Rome and Naples, when the Group of Seven summit finished yesterday. It could hamper the departure of some dele-

would gozrantee a minimum number of flights, including important routes to New York. Bangkok and most European

Mr Fiori also requested that Alitalia improve basic passenger services, such as flight information and medical care for travellers, to help ease the

in a meeting called by Mr

come to terms with Italy's national carrier on job cuts. Unions are protesting at Alitalia's cost-saving plan to shed

4,000 jobs and rewrite work

Last week, a two-day strike by flight crews forced Alitalia to cancel half its flights. A planned walkout by air traffic

later this month. Alitalia, which employs Fiori yesterday, union officials 21,000 people, reported losses of

Li toasts long-lasting love in Romanian vineyard

ding anniversary in a Romanian vineyard yesterday and let slip rare remarks on his personal life as he tasted wines with his wife. Renter reports from Murfatlar,

"My wife and I are very happy, just like the day we married 36 years ago, maybe happier, Mr Li said.

A family is happy when both husband and wife belp each other. But a husband especially must obey his wife's

he sampled wine at the renowned Murfatlar vine-

weekend rest on Romania's Black Sea coast.

He arrived on Saturday for a four-day trip, the highest-level visit to Romania by a Chinese leader in 10 years.
Mr Li and his wife Zhu Lin
took their hosts in Murtatlar

by surprise when they said Sunday was their anniversary. "My wife agrees we are a happy family," Li said, gently pressing his hand on Zhu's arm as she sat next to him at a the Murfatlar cellars.

To mark the anniversary. the two sipped wine from each

China's hardline Premier Li yards, where he dropped in for of 100 accompanying Chinese Peng celebrated his 36th wed- a tasting session during a and Romanian officials and a tasting session during a and Romanian officials and

Mr Li's affable banter contrasted with the image he earned over the bloody crushing of demonstrations in Beijing in 1989, for which he is widely blamed. Earlier legs of his European tour, in Austria and Germany, were dogged by

human rights protests.

Today, Mr Li flies to the capital Bucharest to meet President Ion Iliescu, once his classschool in Moscow. The two leaders are to sign a joint political declaration and a set of economic and cultural

Brussels set to encourage mobile telecoms networks

By Emma Tucker in Brussels

The European Commission is expected to show its determination to speed up the liberalisation of Europe's telecommunications industry by forcing through legislation that will let mobile telecoms operators build their own networks.

Buoyed by the support for plans for deregulating Europe's telecommunications networks at the Corfu summit last month, the commission intends to use special powers to ensure that the liberalising of mobile telecoms infrastructures is not delayed. The move is bound to upset some of Europe's most entrenched telephone monopo-

Article 90 of the Treaty of Rome allows the commission mobile calls by as much as 50 to impose liberalisation on intransigent member states without a vote at the Council of Ministers. It is rarely used as it is criticised for being

undemocratic, but has been used relatively frequently in

Few are surprised at the commission's intention to adopt article 90 to impose the mobile telecoms green paper.

Momentum for liberalisation
has been gathering pace not
just in Brussels but among the member states too, who recognise that a competitive network is crucial for European

competitiveness. Liberalisation of mobile infrastructures would give mobile operators greater flexibility, and enable them to avoid interconnection payments to Europe's fixed network operators. Experts at the commission believe this could cut the cost of long distance

per cent. But many of the big public telephone companies in countries such as Portugal, Germany, and Spain fear a loss of

delays in infrastructure liberalisation in this sector until the commission introduces plans for the deregulation of all infrastructures later this year. They argue that they need the revenue from mobile interconnection fees to keep up their commitment to a universal telephone service.

Recent consultations in Brussels on the mobile telecommunications green paper attracted opposition from the public operators in Italy. Spain, Portugal, Greece and Belgium over the pace of liber-But the commission believes

it is now in a strong position to push ahead, backed by the welcome given by member states to the recommendations of the Bangemann group of industry leaders, which called for speedy liberalisation of EU telecoms infrastructures and





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BOEING

tough line on Haiti

By Nancy Dunne In Washington

Mr William Gray, President Bill Clinton's adviser on Hairi, yesterday said resolution of the republic's crisis had now become "a vital interest" to the peace and stability of the west-

In an interview on ABC, Mr Gray gave a firm warning that the military dictatorship from which 10,000 Haitians fled last week - would not be allowed to remain in power.

To allow the return of a dic tatorship in the 1990s "sends the kind of signal to potential dictatorships in our hemi-sphere that cannot be tolerated because of the instability that it would cause," he said.

Administration officials interviewed yesterday had much the same message to deliver. Mr Gray, Mr Warren Christopher, the secretary of state, and Mr Leon Panetta, the newly appointed White House chief of staff, stressed the endorsement of US policy towards Haiti by the industrialised countries at the G7 sum-mit, and US efforts to work with the United Nations.

Criticism of the policy's many incarnations, and the impact of sanctions on the poor, was met with scathing indictments of the "illegal" regime in Haiti.

Mr Gray's line was the toughest. He seemed to warn the Haitian military that its future rested on removal of the current leaders.

Whether or not there is going to be any military in Halti will depend on the behavtour of the coup leaders: whether they step down or they push the international community to ultimate options," he said.

He bluntly spelt out the US "vital interest" in removing a regime committing human rights violations with "thou-sands being killed and raped". says an aging Tutsi who ernment officials visiting

US takes | Hutus struggle to forget the horrors

Few will admit to having witnessed the slaughter of 800,000 Tutsis in Rwanda, writes Leslie Crawford

"You understand there are escaped to a Red Cross refugee certain things I cannot talk camp near Rwanda's border about." The priest is standing in the courtyard of a church which dominates the village of Shangui, in the hills of western Rwanda. A paramilitary police-man hovers in the background.

In front of him, children are filing obediently into a catechism class. He avoids the far end of the courtyard, marked by the indelible evidence of a horrendous crime. Room after room is splattered with blood, blackened by fire, or shattered by the blasts of hand grenades.

Father Alme Mategeko says he was not present when Rutu militias invaded his church in late April and hacked 4,000 Tutsis to death. "I was in another parish when the troubles began," he says, "I do not know who the attackers were, or how many people they

He feels uncomfortable with the questions of prying foreign-ers, which force him to confront one of the worst crimes against humanity since the Nazi Holocaust. What happened here happened throughout the country," he ventures. "Part of the population felt threatened by the other part and were forced to defend

Father Aime is not alone in offering such tortuous explanations, which obscure the responsibility of the killers as well as the identity of their vic-

He will not say where the dead are buried, "As priests," he claims, "we did everything possible to protect the people, but it was not enough.

This is a claim disputed by survivors of the Shangui mas-"It was only thanks to the intervention of Franciscan

lective amnesia. Hutus cannot deny know ledge of what took place. Evidence of massacres can he found in almost every village. Yet few Hutus admit to having been present at the slaughter of 800,000 Tutsis that followed the assassination of President Juvenal Habyarimana on April

camp near Rwanda's border

Throughout the country, the

Hutu community, the largest

of Rwanda's two ethnic groups,

is engaged in a process of col-

Shame weighs so heavily that the word Tutsi, like the race of tall, proud pastoralists majority, has been virtually erased from the Rwandan vocabulary. Others prefer to describe the massacres as a popular uprising against those who killed Rwanda's Hutu

Ever since Tutsi exiles launched a guerrilla war against the Habyarimana dictatorship in 1990, the Tutsi menace has been a cornerstone of

overnment propaganda. Despite the lack of evidence, Habyarimana's supporters did not hesitate to blame the rebel Rwandan Patriotic Front (RPF) for shooting down the president's aircraft. Over the government airwaves, Hutus were incited to take revenge.

The propaganda became more strident as the rebels gained military ground. Gov-ernment radio broadcast reports of atrocities allegedly committed by the RPF were used to blur the distinction between Tutsi fighters and civilians and to justify their indiscriminate slaughter. There is even evidence to suggest the genocide was planned.



Prench soldiers on patrol in the south of the country yesterday give a reassuring wave to Hutus

churches and stadiums with lists of people to be executed. The first victims were educated or wealthy Tutsis and Hutu opponents of the Haby-

The extermination of Tutsis was so radical, so systematic, I have no doubt it was prepared by the Hutu extremists in the rement and army," says a Tutsi priest whose life was spared. "Habyarimana's death was just a pretext to begin the

Among the Hutu militia, who call themselves Interahamwe ("those who attack together"), there are those who do not regret killing neigh-bours, friends and children. You must understand that Paul Kagame (the RPF military commander) left Rwanda when

he was two-years-old," explains a young militia on the road to angui. "If we allowed Tutsi children to escape, they would return to attack us a few years Most Hutus blame the Tutsis

for their own fate. If the RPF

had not invaded Rwanda, they say, the killings would not have taken place. Hutus believe Tutsis have been guilty of massacres in rebel-held areas. They say Tutsis have hidden the corpses in pits 60metres deep to conceal the evidence of their crimes. Such beliefs are essential in a society guilty of genocide, and few are able to distinguish the fact

In the Bisesero hills, overlooking Lake Kivu, Hutu vil-

from the fiction.

fire that echoes in the distance. They say Tutsi rebels have infiltrated this governmentheld zone and claim many Hutus have been killed.

Less than two miles away, small groups of emaciated and badly wounded Tutsis stumble on to the mountain road like an apparition from hell. For the past three months they have been hiding in the woods by day and scavenging for food at night as the army and militia hunted them down like animals. These were the shots the Hutu villagers heard. When French soldiers arrive to protect the Tutsi survivors, they train their guns on Hutu militias who can be seen on the next mountain ridge.

Soon, however, Hutus may

da's reign of terror. "When the war ends," says a university lecturer, "we fear that the Hutus who have killed will turn on those of us who have not killed because we know the truth of what happened."

Those who breach the conspiracy of silence receive death threats. Few believe those who instigated the genocide will be brought to trial. The few thousand Tutsis who survive in French-guarded refugee camps say they will only feel safe when they are granted asylum in another country. They cannot envisage the day when Hutu and Tutsi will live together again.

For the Tutsi rebels, currently poised to win the civil war, the victory looks set to be

steps up plea for support

By David Buchen in Paris

quest for an honourable exit from Rwanda with an appeal by Prime Minister Edouard Balladur to the United Nations Security Council for other countries to replace French troops in the central African state by the end of this month. The Security Council gave France the go-shead on June 22 to send 2,500 troops to try to prevent further mas of refugees caught up in the Rwandan civil war, before the arrival of the UN's planned Minuar" peacekeeping force

later this summer. But Mr Bailadur said from the outset that he wanted the stop-gap French force out of Rwanda by July 31. Despite the presence of some Senegalese troops already in Rwands and 500 Ghanalan soldiers due next week and of some Canadians and Australians, there is growing nervousness in France that the full Minuar force will not be ready in time for France to stick to its self-imposed deadline.

Mr Francois Leotard, the efence minister, warned the French Senate last week that at least some French troops would have to stay on into

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Mr Alain Juppé, French foreign minister, said at the end of last week that he had been advised by UN headquarters that the new UN multinational peacekeeping force would be ready to relieve the French by early August. Before flying to New York,

Mr Balladur said over the weekend that he hoped to con-vince aid agencies to do more to help the 900,000 Rwandan refugees estimated to be in or near the security zone in the south-west of the country, and to persuade other countries to carry out their commitments to supply soldiers to the Min-

Hussein to meet Rabin

By James Whittington

Jordan's King Hussein sald over the weekend that he was ready to meet Israel's prime minister, Mr Yitzhak Rabin, for the first time in public, in return for US financial aid.

He said Washington had promised to waive about 2950m of debt owed by Jordan and help with the modernisation of the kingdom's armed forces if he met with the israeli premier.

"if the meeting between me and the Israeli prime minister is a price to change the picture of this country. I will not hesitate at all and consider it a service for my country," he told the parliament. Israeli officials yesterday

welcomed the king's statement, and suggested a summit ber in Catro. Mr Yossi Beilin, Israel's deputy foreign minis-ter, said King Hussein's decision was "coura

Last month, the king announced that Jordan would push ahead in its peace talks with Israel and could no longer wait for progress on the other tracks. Frustrated with the lack of co-ordination with the Palestinians and Syrians. he said that from now on Jordan would look after its own

Next week Jordanian and Israeli pegotiators are to meet in Jordan near the 1967 ceasefire line just north of Aqaba to discuss border demarcations. It will be the first time that Israell officials publicly enter Jordanian territory.

Later Mr Shimon Peres Israeli foreign minister, and Mr Warren Christopher, US secretary of state, are due to attend the opening session of another round of talks in the Jordan Valley on economic co-operation. Subjects to be covered include a \$3hn canal project to join the Red Sea to the Dead Sea and joint development projects in the Jordan

Caracas reopens exchange

By Joseph Mann In Caracas

Normal foreign exchange transactions at banks and exchange houses have not been carried out in Venezuela since June 23, causing problems for

Officials stressed that under the new exchange control scheme, funds would be available for servicing public and private sector external debt,

to fine any local news media that reported black market exchange rates, although it was unclear whether this measure would be implemented. Venezuela's new foreign

exchange scheme requires that foreign currency entering the country, with a few exception should be sold to the central bank. Commercial banks will handle applications for foreign currency, and will provide funds to companies and the

The government will set a \$500 monthly limit for those who wish to travel overseas for pleasure, and a \$250 daily limit

woo investors in sell-off plan

The state is in a tight financial

attract at least 100,000 middleholders this year, and to cover the unpaid state pension funds due to workers who have con-

verted to private pensions. In a series of privatisations of "law-risk businesses", such as utility companies, Copri aims to transfer shares worth at least \$300m (£197m) to small investors, who will be able to buy shares in fixed instalments, virtually eliminating any financial risk. Investors will pay by instalments fixed on the day of sale, but if the quoted share price falls, the

cheme also aims to get the state out of a tight financial corner. A year ago, it backed the establishment of a private pension fund system, AFPs, but it has been unable to pay the funds owed by the virtually bankrupt state pension scheme to workers who have switched

take all or part of their state pension in the form of shares privatised companies. The AFPs will then trade the shares on behalf of the funds they manage, giving them a long-awaited new instrument. And Peruvians who have never owned a share in their lives will, the plan's designers hope, acquire a stock exchange men-

should provide a boost both for the AFPs and for Peru's underdeveloped capital markets, says Mr Carlos Montoya, Copri's general manager. He predicts that the Lima stock exchange's total market capitalisation will "rise between two and three times" from its current \$6bn with the public offerings via privatisations due in coming months.

Pacasmayo,

coms company Entel (in which growth," says Mr Montoya.

state-owned cement producer, and the state-controlled Banco Continental.

In each case, the state will invite operators to bid competi tively for a majority or controlling stake via public auction. Part of the state's remaining 30 or 40 per cent holding will then be offered to the Peruvian public. There will be a holding limit of 10,000 sols (£2,960) per company per individual, to ensure a broad ownership base. Copri is gearing up for an massive education and promo-

tion campaign to launch the programme to overcome small savers' distrust of governmentbacked schemes. "We want to make it as easy as possible for the new investor," says Mr Montoya. Participants in the scheme will pay 10 per cent cash down for their share package and the rest over three years at a fixed 1 per cent a month interest rate. Local banks will hold on to shares until full payment is made.

"We consider this [instalment-plan) mechanism extrem ely important both for the deepening of the process and to increase the direct identifica tion of the population with pri-The programme will also help the Peruvian government

with the embarrassing dilemma of how to spend its privatisation cash. Revenue from privatisations has already topped \$1.5bn this year. The sell-off to Spain's Telefonica of the two state-controlled telecommunications companies, Entel and CPT.

Such sums cannot be injected into the small Peruvian economy without jeopardising newly won control of inflation. The \$1.3bn telecoms cash, therefore, has had to be placed on deposit with the central bank (swelling Pcru's already substantial international reserves to an unprecedented \$4.7bn). Even steppedup poverty alleviation programmes are unable to spend

more than \$300m in a year. The citizen participation



just a handful of scedlings make a difference A WWF - World Wide Fund For Nature tree nursery addresses some of the problems, facing people that can force them to chop down trees,

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit mees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus truit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fael source. This is particularly valuable in the Impenetrable Forest. Uganda, where indigenous hardwoods take two hundred years to matture. The Markhania lotes trees planted by WWF and local villages can be

harvested within five or six years of planting. Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we

do with the people of the tropical forests. WWF spursors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing regerable and grain crops.

and burn" farming methods New tracts of tropical forest would then have to be cleared every two or three years. This unnocessary destruction can be prevented by

combining modern techniques with traditional practices so that the same plot of land can be used to oduce crops over and over again. In La Planada, Colombia, our experimental fants nonstrates how these techniques can be extend to

grow a family's food on a small four hectare plot. (Instead of charing the usual ten bectares of forest.) WWF fieldworkers are now involved in over 100 propical forest projects in 45 countries around the world. The idea behind all of this work is that the use of

natural resource should be sustainable. WWF is calling for the rate of deforeszmen in the repries to be halved by 1995, and for there to be no

net deforestation by the end of the century. Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

importers, travellers and com-panies with external debt paythat the government intended

Limited foreign exchange transactions will recommence in Venezuela today after being suspended by government order for over two weeks, administration officials said at the weekend.

President Rafael Caldera announced foreign exchange controls on June 27, but the government and the central ank were unable to agree on final details of a control scheme until Saturday.

ments that have come due. and for foreign companies

The presidential decree that defines the terms for approving and disbursing foreign exchange states that private sector external debt will be covered by the programme. High priority will also be assigned to imports of raw

public.

materials for industry. There were also press reports

INTERNATIONAL PRESS REVIEW

No fire behind smoke

SOUTH AFRICA By Michael Holman

In a week in which the South Africa's press were unable to discover just what were the personal reasons" that lay ehind finance minister Derek Keys' unexpected departure on Tuesday, there were several other fascinating but unan-

How would President Nelson Mandela placate Mrs Marike de Klerk, the former president's wife, whose fury at being forced to move from Libertas, the official presidential residence in Pretoria, was disclosed by the Afrikaans daily,

Could Mr FW de Klerk's eviction have anything with the disappearance of Dinky, the family dog, whose plight was reported in the Pretoria

And could the Springboks rugby team recover from their defeat against the All Blacks? the Sunday Tribune asked However, for several days, a single question was uppermost

for all papers: Why did Mr Keys resign? After much speculation, South Africa's press shared the conclusion of the Weekly Mail. the independent paper. "Keys: no fire behind the smoke".

Shaun Johnson, deputy editor of The Stor, the city's afternoon paper, put the best face on the affair: Keys "did the most difficult of things, quitting while he was right on top...the retrospective por-trait will be one of unflamboy-ant glory," he wrote in his weekly column.

He would be known as the man who laid down a solid eco-



nomic foundation for a new government, "his reputation sullied by the worst excesses of bygone National party cabi-nets and untarnished by the inevitable failings of the African National Congress controlled one".

Keys established a psychological precedent, wrote Johnson, selling to the middle classes "the concept of a tax surcharge" - a reference to the budget's 5 per cent levy on higher bracket tax payers. No such generous treatment from The Citizen, whose editor

Johnnie Johnstone has managed to pay generous trib-ute to President Mandela while maintaining a conservative Easily the best paper of record, with a large black read-

ership attracted - according to conventional wisdom - by the paper's comprehensive racing coverage, the Citizen's midweek editorial spared neither Keys nor government. "It's not satisfactory, Mr Keys. You should have stayed

you owe it to the country to say exactly why.
"As for the government, we think its handling of the mat-

Johannesburg's Business

on. But as you have resigned,

Day, which had added to the confusion by confidently reporting that Mr Chris Liebenberg, the successor to Mr Keys, "had already attended (cabinet) meetings as finance minister designate", expressed city sentiment

the government of national unity, still basking in the afterglow of its remarkable installation, with the most difficult test it has faced so far," said Vednesday's editorial. By the end of the week, how ever, interest had focused on another question: Who benefit-

ted from insider trading in the

hours before the Mr Keys' res-

ignation became official? asked

The resignation "oresents

the Sunday Times. And one question was never raised. Why did the powerful Congress of South African of Trade Unions accuse Mr Keys of letting the side down and betraying Mandela's trust" by leaving early, instead of saying

good riddance to Mr Keys? After all, he was the finance minister who advocated fiscal discipline, and refused to bend to union pleas to extend VAT rating to more

Maybe in the answer to this question lay the secret of Mr Peru sets out to

corner, writes Sally Bowen

Peru's privatisation commission, Copri, is to a 35 per cent stake); another launch a scheme to income Peruvians as share-

state "guarantees" to charge instalments at the lower price. The "citizen participation"

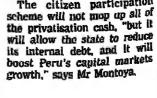
to private cover. Workers may now opt to

tality.
"Citizen participation"

The programme is due to start in September with the sale of part of the state's holding in cement producer Norte

Copri also expects the programme to cover the privatisation of electricity companies Electrolima (already split into three separate entities for sell-off) and Electroperu; tele-





t. Blates Street,

Nuclear talks upset by death

By John Burton in Seoul and Bruce Clark in Naoles

The death of North Korean President Kim Il-sung has suddenly complicated efforts to resolve the dispute over international inspections of the North's nuclear facilities.

Mr Kim died just as the US began negotiations with North Korean officials on Friday in Geneva in what was regarded as a significant round of discussions to break the impasse. His death also came shortly before he was scheduled to meet South Korean President Kim Young-sam in an unprecedented summit on July 25 in Pyongyang to discuss the

Both the US-North Korean talks and the Korean summit have been indefinitely post-

Meanwhile, the Group of Seven and Russian leaders in Naples yesterday urged North Korea to ensure "total transparency" for its nuclear programme and also to go ahead with its proposed dialogue with South Korea and the US, despite the death of its leader.

The Naples summit communique told the authorities in Pyongyang to "remove, once and for all, the suspicions surrounding their nuclear activities" by complying with their international obligations.

international obligations.

North Korean officials had indicated stress related to tensions over the nuclear issue in recent weeks may have contributed to Mr Kim's heart fail-

ure.
South Korea said yesterday it has not yet heard from the North whether it wants to hold the summit, although US President Bill Clinton said in Naples that Pyongyang indicated to Washington that it plans to proceed with the meeting at a later date.

later date.

Officials in Seoul expressed optimism that North Korea might take advantage of Mr Kim's death to improve relations with the US rapidly in the hope that it will help stabilise the new Pyongyang government of Mr Kim Jong-il, the late president's son and designated successor. They added that a Korean summit is unlikely to occur until the transfer of power to Mr Kim has been completed.

Sels out

The junior Mr Kim took public responsibility last year for threatening to withdraw North Korea from the nuclear non-proliferation treaty in a step that triggered the dispute.

Some South Korean officials believe, however, that Mr Kim and his father may have deliberately provoked the crisis as a ploy to force US to the negotiating table and offer diplomatic recognition to Pyongyang in exchange for full nuclear inspections.

Another hopeful sign is that North Korea is continuing to allow inspectors from the International Atomic Energy Agency to monitor nuclear activity at its Yongbyon facili-

The late president recently agreed to suspend the North's nuclear operations in exchange for the new round of talks with the US on possible diplomatic recognition and economic aid from Washington. After the first session of US-North Korean talks on Friday, both sides described the discussions as "very useful and productive".

An adviser to President Boris Yeltsin said Russia's main concern was that there be no instability in North Korea. He welcomed reports that the situation there remained calm and voiced the hope that the US-North Korean dialogue would be soon

Mr Warren Christopher, US Secretary of State, said if Pyongyang complied with international demands over its nuclear programme, the US would welcome a chance to meet the new North Korean leader. He said that Kim Jong-il is the likely successor, although nothing could be taken for granted.

Kim Il-sung: war hero, skilled politician and tyrant

John Burton looks at the career of the 'Great Leader' who exploited North Koreans' xenophobia

The death of 82-year-old North Korean President Kim II-sung ends the longest rule of any political leader in the 20th century. His durability was based not only on the brute force of the authoritarian regime that he created, but also reflected his consummate political skills.

Mr Kim's strength rested on his ability to appeal to Korea's strong national pride and his rule was deeply-rooted in Korean tradition. His policy of juche (self-reliance), which

Dream of power and benevolence: How Pyongyang propaganda saw the 'Great Leader' and his adoring people

of North Korea's own destruction. His efforts to create a self-sufficient Korea have taken a heavy toll on the economy, apparently heading toward collapse.

toward collapse.

Mr Kim's nationalist attitudes were formed in his youth
under Japanese colonial rule.
He was born as Kim Song-ju on
April 15, 1912, two years after
Korea was annexed by Japan.
His family moved when he was
seven from his birthplace near
Pyongyang to Manchuria,

northern China, where he became involved in Communist organisations in his late teens.

ing Mr Kim became a genuine hero of the Korean independence movement, commanding units ranging from a handful ule. of soldiers to 300-man forces within Manchurla and along the Korean border. But by 1941, Japanese military pressure forced him to withdraw to the Soviet far east.

He used his Soviet military

contacts to gain a leadership position in North Korea Communist party by December 1945 and two mouths later was chairman of the North Korean

provisional government.

Mr Kim introduced popular measures in late 1940s including land reform and nationalisation of the mostly Japanese-owned industry. He become the prime minister of North Korea when the country was officially established in September 1948 and chairman of

the ruling Korean Workers' Party a year later, securing a dominant political position.

His main goal was then to reunite North and South Korea. He deftly played off the Soviet Union against China to gain the support of both for an invasion of the South. The gamble seemed reasonable, as the southern military was weak and ill-equipped, while

the US had indicated it would

not come to Seoul's defence.

terously after the US decided to intervene in its first main armed confrontation with the Communist bloc.

With the end of the Korean war in 1953, Mr Kim embarked on a Stalinist policy of forced agricultural collectivisation and creation of heavy industry. The programme relied heavily on Soviet economic aid, including supply of plant facilities and machinery, but it initially provided the North with faster growth than the South.

A critical turning point came with the Sino-Soviet split in 1961 and the Soviet retreat in the Cuban missile crisis a year later. Both events convinced Mr Kim he could not rely on either Beijing or Moscow for his and North Korea's survival.

his and North Korea's survival.

He began constructing a fortress state that would increasingly divert massive resources
from the rest of the economy.

He built a domestic arms
industry and created one of the
largest armies in the world. It
was during this period that
North Korea laid the foundation for a nuclear weapons programme that would fruition
almost 30 years later.

By the early 1970s, North Korea was losing its economic race with the South, which had embarked on its own militaryled industrialisation programme in the early 1960s. Pyongyang made one last effort to import western technology to replace outdated Soviet and Chinese machinery, but subsequently defaulted on international bank loans used to buy the equipment

to buy the equipment.

This was accompanied by political repression, with an estimated 100,000 persons being placed in prison camps. North Korean terrorist activities also

multiplied.

But in the late 1980s. North Korea began tentative moves to open itself to the outside world in 1990 it joined the UN and the prime ministers of the two Koreas began meeting regularly. Progress was capped by the signing of non-aggression and non-nuclear pacts with the South in late 1991.

The North's gradual opening was forced by the collapse of Soviet bloc, which deprived Pyongyang of important export markets and source of vital oil and food imports. The economy began shrinking at an annual rate of 5 per cent after 1939.

rate of 5 per cent after 1939.

North Korea's threat last year to pull out of the nuclear non-proliferation was regarded as an attempt to win Western concessions and Mr Kim appeared to be achieving his goal of gaining US support when he died.

Beijing hails 'close comrade'

gradually replaced Commu-

nism as North Korea's main

ideology, was based on Korean

In his 46 years as leader, he manipulated Confucian princi-

ples of filial piety to promote his own role as Great Lands

his own role as Great Leader and to establish a dynastic suc-

cession for his son, Mr Kim

But Mr Kim's passing is

likely to prove it was the power of his personality, bol-

stered by mass adoration expressed in semi-religious public ceremonies, that was

the glue that held North Korea

together. His absence will expose more

clearly the faults of his policy

of xenophobic nationalism,

which carries with it the seeds

of foreign intervention.

ent against centuries

by Simon Holberton in Hong Kong and Our Beijing Corresponde

It is a measure of the importance Beijing attaches to its relations with North Korea that China marked Kim Ilsung's passing with a "personal" message from Deng Xiaoping, the country's paramount leader, and official condolences from the three most senior members of the Chinese communist party.

Mr Deng, 89, hailed the North Korean dictator as a "great leader" and a "close comrade in arms". This is high praise from a leader whose own efforts in the modernisation of China's economy stand in such stark contrast to the ideology of juche, the self-reliance that has kept North Korea isolated and impover-

Mr Deng sent a telegram to the Workers' Party of Korea central committee saying he was "shocked and deeply grieved" to learn of the death: "The life of Comrade Kim Ilsung was one devoted to the national liberation of Korea and the happiness of the Korcan people, and one dedicated to the forging and development of Sino-Korean friend-

ship."

To Mr Deng's condolences were added those of Mr Jiang Zemin, state president, Mr Li Peng, prime minister, and Mr Qiso Shi, head of the National People's Congress, presented under joint authorship.

Political specialists at western embassies in Beijing played down the political significance of the lavish coverage, saying it was a matter of conforming to protocol and protecting China's long and sometimes strained alliance with North Korea.

"China doesn't want North Korea to feel alarmingly isolated, especially in the middle of the talks about nuclear arms. So it sent a reassuring message. And there is probably some genuine compassion by Deng and the old Chinese leaders for a fellow Marxist revolutionary," one diplomat

However, it is unclear how much influence Beijing has over Kim Jong-il, expected to be the new leader. The younger Kim cancelled a visit to Beijing in March last year when China refused to arrange meetings for him with senior

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Mr Naqvi pleaded guilty to

defrauding US regulators and

to engaging in a conspiracy

with Mr Agha Hasan Abedi,

BCCI's founder, secretly to control four US banks, includ-

ing Washington-based First

thau's office, these charges

Split over BCCI chief's plea-bargaining

Government wants co-operation, New York's DA wants a longer jail term, reports Ken Warn

he plea bargain involv-ing Mr Swaleh Naqvi. former chief executive of the defunct Bank of Credit and Commerce International. accepted in Washington on Friday, has left the US Justice Department and the New York district attorney's office at

daggers drawn. The department believes it has secured the most important BCCI conviction so far in the US and won the co-operation in continuing investigations of the number two official at the bank. But the district attorney's office believes Mr Naqvi will be given an unnecessarily light sentence, with little guarantee that he will be able significantly to advance the BCCI

The department may have taken a calculated risk in negotiating a deal with Mr Naqvi. It hopes his promise to co-operate will help unravel the colossal fraud at the bank, closed by international regulators three

would. In unveiling the plea bar-gain, federal lawyers said Mr Nagvi would co-operate with the Justice Department, the Federal Bureau of Investigation and any other federal or regulatory agency as directed by the US authorities.

Mr Joseph diGenova, Mr Naqvi's lawyer, told the court his client had already assisted the US authorities and would continue to co-operate fully, reviewing and identifying the hundreds of thousands of BCCI documents now in the US. Under the deal, Mr Naqvi

pleaded guilty to charges of fraud, conspiracy and racke-teering. Sentencing, likely to comprise a jail term of 8-8% years after taking into account almost three years Mr Naqvi spent in custody in Abu Dhahi, is due in October.

However, even before the deal was presented in court it came under fierce attack from

years ago, more than a long Mr Robert Morganibau, the co-operation with the US and possibly difficult trial New York district attorney, authorities. whose office has aggressively pursued the BCCI investigation

for five years. Mr Morgenthau wrote to the court on July 5 complaining that the sentence called for in the plea bargain was too light and urging a jail sentence of

'The defendant's crime was a longterm, calculated crime of treachery,' the district attorney's letter said.

17% years or more. "The defendant's crime was a long-term, calculated crime of treachery,

ismore the true scandal at the heart of the BCCI case - that it the letter said. But the objections of the diswas a huge international conspiracy to defraud the public. trict attorney's office run deeper. "Where I come from New York officials say they will pursue charges against Mr Naqvi at state level and have you plea-bargain with the little fish to get the big guy, not with Naqvi to get the little guys," said one official. He was expressed their determination that he should "serve time in New York" for his crimes. entical about the extent of Mr Naqvi's past and future

team is likely to argue that the New York indictment involves charges covered in the plea bargain and runs counter to "double jeopardy" clauses of the US constitution.

As far as the Justice Department is concerned, the hostile reaction from New York is just sour grapes and the plea agreement and the proposed sentence are fair.

In its submission to the court the department cited fears of a long and expensive trial as one of the reasons for taking the plea-bargain route. Mr diGenova reinforced that argument by saying that had his client ne to trial he would have challenged every document brought in evidence and the reliability of key witness

Department officials also point to the difficulties Mr Morgenthau's office experienced in its case against Mr Clark Clifford, former US defence secretary, and his law partner Mr Robert Altman.

First American Bankshares. Mr Altman was acquitted last year and charges against Mr Clifford were dropped because of his ill health.

While the US authorities question Mr Naqvi behind closed doors, and Mr Morgen thau tries to push him into open court, there is another court proceeding which could throw light on the mechanics of the BCCI scandal.

In June, three former BCCI non-executive directors filed suit in the US against Abu Dhabi, the bank's majority shareholder, seeking \$100m (£65.7m) damages for the harm done to their reputations by Lawyers for the three are

seeking access to the BCCI documents in the US, claiming they will give a much fuller account of the fraud than has so far emerged and throw light on the role of Sheikh Zayed bin Sultan al-Nayhan, the ruler of

Weightless love for spacefish

Correspondent, at Cape

There are "astronewts" in space. They were launched, on Friday, aboard the US space shuttle Columbia.

But in a mission loaded with 126 jellyfish, 11,200 baby sea urchin, 144 newt eggs, 180 toad eggs and 340 fish eggs, all eyes are going to be on just four Japanese Medaka fish. For these orange, one inch-

long, freshwater fish may be about to provide some answers, not just on sex in space, but on food in space too: solving two thorny issues for manned space exploration ahead of the construction in orbit of a \$30bn (£19.7bn) international space station.

Due to begin in 1997, the space station should be com-pleted by June 2002, if govern-ments maintain their funding commitments. The Medaka fish experiment is aimed at developing fish breeding techstation astronants with a source of high-protein food. Scientists first tried to get rats to conceive in space, but they bounced off one another in a zero gravity environment. However, the tlay Japanese fish have a peculiar tolerance for weightlessness, unlike most fish, which swim in wild

looping patterns when exposed

to microgravity. They also have a short life cycle, of three months from one generation to the next, and once fertilised, Medaka eggs hatch within eight days. This will give the crew the opportunity to watch the fish mate and see their eggs hatch. But should the two amorous

pairs of Medaka fish find it hard to have sex in space, the shuttle crew will experiment with the 340 artificially inseminated Medaka oggs also aboard the Columbia to study embryonic growth which, some scientists say, could belo research into human embryos

Flashes of beauty mark Brazil's triumph



will ever forget the second.

It went 1-0 and then 2-0 to Brazil. then 2-1 and 2-2 as the Dutch miraculously railied, only for Branco, the mid-fielder, to step into an 80th minute free kick from 30 yards and bury it, conclusively, off de Goey's left-hand post.

It was not only the goals. The second half saw soccer at its very best, with skill, passion and controversy of an order that deserves to be corked and bottled by the million cases, to be opened whenever the sport goes dull as a reminder of how it can be played.

After the team's disappointing second-round performance against the US last Monday (Brazil won 1-0). many Brazilians feared a loss against Holland. And many still think Brazil are not playing as well as they should

record. Brazilians sports writers had condemned what they called "ugly and artless" soccer and manager Carlos Alberto Parreira was singled out for criticism.

But on Saturday, Romario and Bebeto were the catalysts. The twin Brazilian strikers came out after half-time determined to take the match by the scruff of the neck and did so. Twice in the first three minutes Romario went close, and after 51 minutes he put Brazil

It was Bebeto, inevitably, who set

will win this World Cup: not because the Azzurri are the

best team - charitably, on current

form, they would barely scrape into

the top 10 of the 24 who qualified -

It works like this. Play like drains; be savagely criticised back home for performance; and allow

one or other Baggio to score the

It worked against Spain in the quarter-finals on Saturday, as it had

against Norway and Nigeria. For

contest between Italian offence and

necessary minimum of goals.

but because they have a winning

formula.

Jurek Martin watches as the three-time champions hold off an exciting Dutch fight-back

even so, bounced awkwardly for Romario - though not too awk-wardly for a reflex right-foot halfvolley from 10 yards that no goalkeeper could have touched.

Brazil were rempant now, Bebeto hitting the post and Romario foiled by de Goey, running past Dutchmen as if they were lamp-posts. But it was Romario at a walk who was the vital ingredient in Bebeto's 61st-

Romario was strolling back, unconcerned and indisputably offside, from the Dutch area when Bebeto latched on to a headed ball from the Brazilian half, broke one tackle, rounded de Goey and tapped the ball home. The Dutch stood Despite the team's unbeaten still, waiting for the flag against Romario, but, after consultation, the referee and linesman stuck to the new letter of the law - that the Brazilian had been "passive" to the

> Brazil then relaxed, almost fatally. Two minutes later, a throw-in from the left saw Bergkamp surviving one half-hearted challenge and beating Taffarel in the Brazilian goal from close range with a hard right-foot shot.

Taffarel had lasted the equivalent of more than three matches without having to save a direct shot, but he

Spanish defence leavened by speedy

Snain controlled most of the game

and rarely used their fleetness

while Italy, competent defence

apart, showed all the inspiration of

soggy, over-cooked *penne*. But the Italian defence held – ten-

nously - and the Baggios did their bit. In the 26th minute, Dino, the

game-winner against Norway, found himself with a bit of room 25 yards

out and bent a right-footed out-

swinger past Zubizarreta in the

Spanish goal. Roberto's fake run across the middle may have momentarily screened the Spaniard

counter-attack never materialised.

it up, released at top speed by Dun-ga's through ball into the area. His left-foot cross was without flaw but, farel seemed asleep in the 75th min-

ute, rooted to his line as Winter

rose to an Overmars corner and

headed home the equaliser from no more than six vards. Now it was Brazil's turn to show mettle. Branco, in for Rai in midfield, immediately unleashed a 35yard range-finder that de Goey touched over. Satisfied, when the free kick came moments later - following the only foul that could be described as remotely dirty - he

completed the scoring. That finally took some of the stuffing out of the Dutch. Manfully though they tried in the closing minutes, forcing some un-Brazilian punts into the crowd and unoccup-ied corners of the pitch, they created no more clear chances.

But it was no disgrace to lose this one. There may have been moments yards before their markers moved one foot, but the Dutch defence mostly compensated and covered. Koeman unleashed some thunderbolts, blocked by Brazilians who will know it on the morrow, and Bergkamp and Overmars showed that the Brazilian defence is far from invincible.

Yet nobody has found a way to keep Romario and Bebeto quiet. A ball and chain might help.

Italy ride luck and history to see off Spain

For the Azzurri, results are mattering more than how they are playing, writes Jurek Martin

Spain drew level after 58 minutes

on a deflected shot from Caminero

than that Salinas, a second-half

substitute, should have disposed of

the increasingly tired Italians after 82 minutes when set free alone in

front of Pagliuca 10 yards out. He

mis-kicked embarrassingly.
That set the stage for Roberto

Baggio; previously, an early blocked shot excepted, he had been a mostly

marginal performer. After 87 min-

utes, an instinctive flick from Sig-

nori, only introduced after the

break, set him loose on the right of the area. Checking the scoreboard

clock for dramatic effect - his

and proceeded to dominate. More



Frank Rijkaard of Holland challenges for the ball with Brazilian mid-fielder Dunga during Saturday's quarter-final clash in Dallas

and familiarity. Spain have never

gone beyond the quarter-finals, and

16 of the players on the pitch on Saturday had taken part in the

European Cup final not so long ago

between AC Milan and Barcelona.

AC's 40 victory was a lot more con-

vincing than Italy's 2-1, but the

For the Azzurri, these days, it

matters less how they play the game than how it turns out. And history is on their side. In 1982, in

Spain no less, their early matches were also undistinguished, but then

Paolo Rossi got untracked. Two

result was the same.

equaliser against Nigeria came a

minute later - Baggio deftly

rounded Zubizarreta and right-

footed it under the covering Abe-

throughout the tournament, with as many goals (nine before Saturday)

as anyone, must wonder why they

lost a match they played well

enough to win. There was less down

the flanks than in previous matches

from Ferrer and Sergi, who was

withdrawn after an hour and less

than a minute after helping to set

up Caminero's goal. But otherwise

few feet were put wrong, and partic-

Spain, quietly impressive

larde from an acute angle.

Bulgaria come from behind to knock out Germany 2-1

Outsiders Bulgaria struck twice within three minutes in the second half to send defending champions Germany crashing out of the World Cup at Giants Stadium in New Jersey yesterday Goals by Stoichkov and Letchkov ended Germany's reign

to put Bulgaria into the semi-finals for the first time. German captain Lothar Matthäus, making a record-equalling 21st appearance in a World Cup finals game ~ joining his countryman Uwe Seeler, Wladislaw Zmuda of Poland and Argentina's Diego Maradona - fired the German

been brought down. Bulgaria then seized the initiative and Stoichkov curled in a free kick in the 78th minute to bring the teams level. Three minutes later Letchkov - who had been at fault for the German enalty - scored the winner with

speciacular diving beader. lankov lofted a center from the right and Letchkov dived for it with Hässler, got there first and directed a well-placed header between the diving German

fronically, Hamburg mid-fielder Letchkov, who was 27 yesterday, It was sweet revenge for

volunteers, there is a select group are visiting the US to watch their

countries play soccer. "It is a beady responsibility," says Marianne Ward, chief of rotocol for the World Cup venue at Giants Stadium in East

ahead from the penalty spot in the 49th minute after strikers Klinsmann and Völler had both

goalkeeper Illguer and the right-hand post.

is the only German-based player in the Bulgarian squad.

Bulgarian coach Dimitar Penev. whose team have also beaten the other 1990 finalist, Argentina. Penev played against German coach Berti Vogts in the 1970 World Cup in Mexico, when West Germany beat Bulgaria 5-2. Bulgaria, who last beat then West Germany in 1960 and who

had not won a World Cup game in five previous visits to the champions Italy in the semi-finals, also at Giants Stadium, on Wednesday.

Protocol guides move quietly

Among thousands of World Cun that says it is better to be seen than heard. World Cup 'protocol ambassadors' move quietly among groups of foreign politicians and diplomats who

Rutherford, New Jersey. "The

Holland 2 Brazil . Germany 1 Bulgaria 2

Semi-Finals

Italy va Bulgaria New Jersey 5pm BST Brazil vs Romania or Sweden Los Angeles, 12.30am Thurs

I Final

Sunday, July 17 Los Angeles 8.30pm

protocol ambassador may be the closest that these dignitaries come to an everyday American."

each of the nine World Cup sites. They are responsible for meeting foreign VIPs at airports and guiding them through their visit. Sam Destito, a lawyer, said be became a protocol ambassador because he felt the world was issuing a challenge to America. "I don't think the rest of the world thought America could World Cup games," Destito said.

Salenko still leads goal chase

on our country's ability.

"Now visitors compliment me

Oleg Salenko still tops the World Cup scoring race though he base's had a chance to add to his tally: Russia bowed out after the first round. To overtake him, some has to crack a six-goal barrier that has not been broken in 20

Salenko, 24, netted five goal - a World Cup record for a single game – in Russia's 6-1 rout of Cameroon on June 28. Then he and his team went home.

Possessing the top scorer was not enough to win the World Cop trophy at the last two tournaments, where the leading marksmen were Italy's Toto Schillaci (1990) and England's Gary Lineker (1986). But Paolo Rossi scored most

goals when Italy won the championship in 1982, as did Mario Kempes when Argentina won in 1978. Grzegorz Lato's seven goals for Poland in 1974 was the last six-plus total. Just Fontaine's

13 goals for France have stood

as all-time high since 1958.

The technology services behind WorldCapUSA94 For further information call Bill Wright on (44) 81 754 4318



Brazil isn't the only team to have impressed the 7,000 journalists at the World Cup.

The sophisticated reasonable belong results, news and the will admit that a soft of the control of the control

World Cup USA 34 like every journalist will admit that a special in happens. As every journalist will admit that a special information of the second in happens.



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TIMES VALUE

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After a series of private meetings in the Commons the MPs have accepted the need to inject private capital into

preferred option of selling 51 per cent of the shares in the Royal Mail and Parcelforce they are arguing for a flotation of 30 per cent.

The British parliament's last

nine sitting days before MPs

disappear for their three-month summer break will

bring a flurry of ministerial

statements and policy docu-ments on subjects as diverse as

accruals accounting and the

It is a time-honoured tradi-

tion at Westminster that the

last few days of a parliamen-

tary session are dominated by

long-awaited government announcements, but this year

Between today, when Mr

John Major reports to MPs on

the world economic summit in

Naples, and July 21, when par-

Hament's summer recess

starts, at least nine significant

government announcements

are expected. Others, including

reform and a heritage depart-

ment white paper on privacy

and press freedom may also

emerge. In addition to the prime min-

ister's G7 statement and his

a statement on parliamentary

may break all records.

More than eight Tory MPs say they oppose the government's preferred option and have threatened to vote against it if put to a vote, wiping out the government's majority of 15. Mr Michael Heseltine, trade and industry secretary, is confident he

have made it clear to Mr Heseltine in one-to-one meetings they are planning "a big fight" to prevent the corporation moving into the private sector.

Mr Nicholas Winterton, Macclesfield's Conservative MP, accused the DTI of making misleading comparisons between the Dutch sell-off and its current privatisation plans for the British Post Office.

Heseltine to draw back from privatising the Post Office, favour a 30 per cent sale. But Mr Cormack said he would be happy to see up to 49 per

also backed a 30 per cent sale of the cent ahead of the massive benefits that the corporation says will flow

remain in the public sector with the removal of the Treasury constraints on it. He said, "I would be less worked up by a 30 per cent sale. But there is no way that I am going to commit myself to the 51 per cent sale."

Although Mr Heseltine has committed the government to a uniform affordable tariff, Mr Hicks pointed out that electricity privatisation led to regional price differentials after similar assurances.

Party managers are still hopeful of bringing forward a bill in November to privatise the Royal Mail and Parcelforce after the consultation period

Housing cash sought in Germany

Britain in brief

THE REAL PROPERTY.

Representatives of UK housing associations will today invite German mortgage banks to raise finance for building

The Housing Corporation, the quango that distributes government grants to English housing a seminar in Frankfurt for more than 30 German banks in its quest for new sources of funding for housing

associations.
Associations at present raise about 40 per cent of the cost of building new nomes from private-sector borrowing. They have raised £5.5hn since 1989, including more than £1bn through sterling debentures.

The corporation estimates that associations will need another £7bn over the next expand the investor base. It hopes to persuade the German banks to issue sterling Pfandbriefe. long-term fixed-interest bonds, to raise funds.

Speakers at the seminar, organised in association with Rheinische Hypothekenbank, include representatives of the Treasury and Department of the Environment, as well as current UK lenders.

London shows safety shortfall

A survey of London employers has found serious shortfalls in health and safety provisions for their

The survey of 350 workplaces, carried out by the industrial Society, found that employers were failing to make changes to comply with new health and safety legislation. Few were offering adequate induction or training for staff and managers and few had bothered to look at the health and safety records of contractors they hired.

The report found that only 43 per cent of employers had held a fire drill in the past six months, even though they

should have done by law. While nearly three-quarters of the respondents regularly employed contractors on their sites, only half of them included health and safety in the contract or checked the contractor's record on health and safety before hand. Less than half of them bothered to monitor contractors' safety performance or imposed penalties for safety lapses.

Water rules 'too generous'

Consumers have not had a fair deal on water prices since privatisation, the National Consumer Council says today.

The regulatory system has been too generous to the companies, says the report, which comes two weeks before Mr Ian Byatt, industry regulator, announces new

price controls. Operating profits of the 31 regulated companies ruse by an annual average of 20 per cent from 1989-90 to 1992-93 and profit margins increased from 28.7 per cent to 35.6 per cent. Yet water bills for domestic customers have increased by an average 67 per cent.

Investment mood upbeat

UK companies' investment intentions have risen in spite of tax increases, Lombard Business Finance said.

In June, 63 per cent of companies surveyed planned to purchase a major asset over the next three months, up from 61 per cent in March. Companies are mainly investing to increase efficiency, rather than to expand capacity, according to Lombard, while the proportion of companies saying that the tax changes had caused them to cut investment plans was just

19 per cent in June, down

from 27 per cent in March.

Tories to lobby over Post Office sell-off Pacelish The MPs sav the recent 30 per cent However the MPs, by taking the form the public sector with the removal of the Treasury constraint on it. He said, "I would be less works" on it. He said, "I would be less works"

to the privatisation of Britain's Post Office are planning to lobby the government in favour of selling only a minority stake to keep the corporation in the public sector.

But instead of the government's

and telecommunications company, provides a good example of how private capital can be injected without full privatisation.

will be able to win over the remaining

Tory MPs opposed to his privatisation

"I am in favour of selling off a

minority stake so long as the corporation remains in the public sector." Mr Hugh Dykes, MP for Harrow

cent of the shares sold Tory MP Sir Teddy Taylor said he

Post Office. "It would be a bad bargain for the taxpayer if we sold 51 per from commercial freedom.

Mr Robert Hicks, Conservative MP for Cornwall South East, said he would would like the Post Office to

Government set | Archer probe result expected soon

prior to recess

next four years.

for busy period

lished on Wednesday, this will propose ending centralised pay bargaining and introduce personal contracts for more than 2,000 top mandarins. Further privatisation will be predicted. with the civil service to drop from 540,000 to 500,000 over the

A Treasury green paper on the shift from cash accounting to accruals accounting. Also expected around the middle of the week, this will provide detailed proposals on how the public sector presents its accounts, bringing it more in line with the private sector. A Commons statement by Mr Malcolm Rifkind, defence secretary, on defence cuts. Expected on Thursday, this

may seal the fate of the Rosyth naval base in Scotland. New regulations setting a stiffer residency test for EU nationals who say they are looking for work in the UK and seek to claim benefit. The new rules are due to come into effect in August.

• The announcement of a

much-flagged cabinet reshuffle number of recommendations which is set to be unveiled durby the government's dereguing the next ten days, Westlation task force, including a minster watchers are expectproposal that would allow thousands of charities to An Efficiency Unit study on escape the requirement for an the future of government research establishments. annual independent examination of their accounts.

and Industry hinted strongly yesterday that a report on the investigation into Lord Archer's alleged involvement in insider dealing might be expected within a week. The DTI acknowledged the urgency to settle the affair as it came under pressure to pro-vide a full explanation of the circumstances in which it disclosed Lord Archer's name at the centre of the investigation. Lord Archer publicly fended off questions about the inquiry for the second day running yesterday when he hosted an auction to raise funds for the Globe Theatre replica on Lon-

By Richard Donkin and Kevin Brown

Britain's Department of Trade

don's South Bank However, his friends have been pressing for an early announcement which they believe will clear his name. Continuing uncertainty about the outcome of the investiga-tion is leading to increasing speculation about the ministerial reshuffle, expected shortly. Mr Major, at the G7 summit in Naples yesterday, refused to say whether Lord Archer would feature in the reshuffle if as his friends claim, the former party deputy chairman is

exonerated by the DTL The prime minister said the matter must rest with the DTI and the investigators appointed to investigate allegations of insider trading. "I don't think it would be at all right for me to offer any further comment on that whatsoever." he said. However, if the DTI gives

Lord Archer conducting the celebrity auction at The Globe theatre in London yesterday Press As Lord Archer a clean bill of health before the reshuffle, his chances of securing a government post are belived to be the same as they would have been had details of the inquiry

remained confidential. Questions by Conservative MPs into the way the DTI handled the disclosure of Lord Archer's name reveal deepening concerns about further damage to public confidence in the government if the are allowed to go upanswered. They arise at a time that Mr ter, believed he had put one of the stormiest periods of his

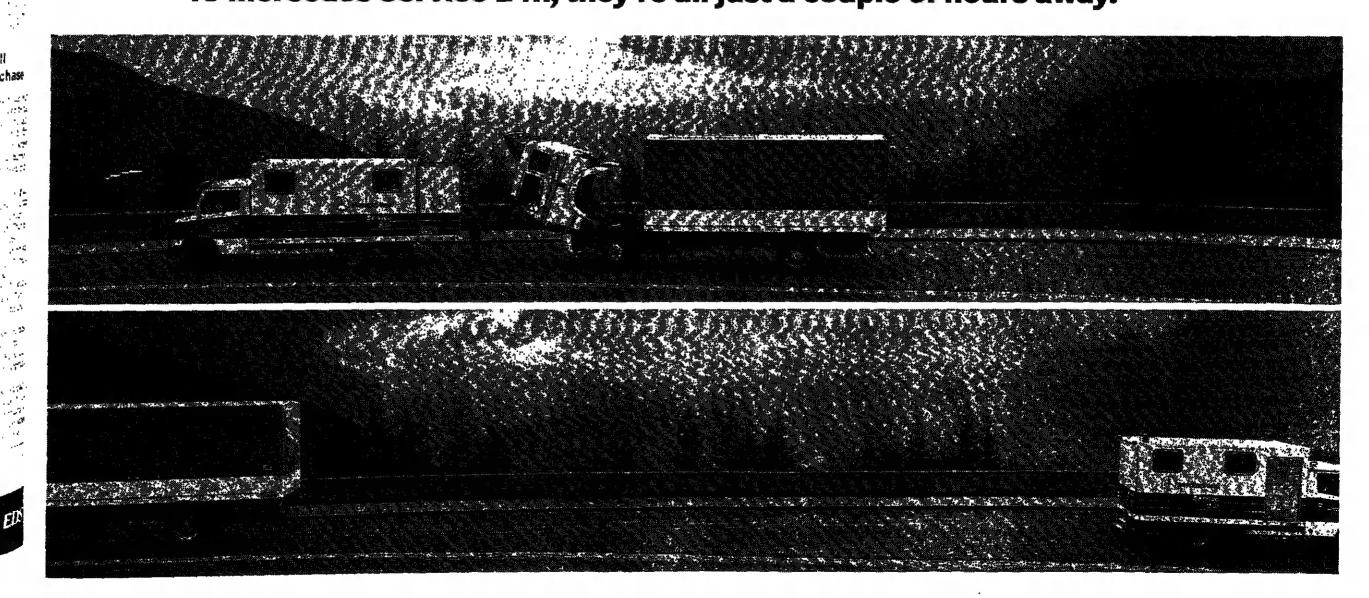
premiership behind him. The investigation, launched last February, centres on share dealing in Anglia TV during the run-up to an agreed takeover bid which sent shares soaring. Lord Archer's wife, Mary, is a non-executive director of Anglia. The DTI has

refused to discuss details of the inquiry, but it is believed to involve a single transaction involving 30,000 shares and a

111

profit of about £50,000. One newspaper report yester-day quoted friends of Lord Archer saying he expected the Department of Trade and Industry to issue a statement saying he was "totally innocent of any wrongdoing". Oth-erwise he would consider legal

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The retuning of Fiat's engine

The Italian group's big losses have overshadowed far-reaching changes in its culture, writes Andrew Hill

uring its 95-year his-tory, Fiat has often behaved as though it were an arm of the Italian government a strict hierarchy with diplomatic, commercial and industrial functions parallel to those of the state, headed by a patriarchal chairman,

Over the last few years, however, Fiat, in common with Italy, has been struggling to change deep-rooted management and working habits. "Fiat today is a different Fiat compared with the company of five years ago," says Giorgio Gar-uzzo, chairman of Fiat's three core divisions - cars, commercial vehicles and agricultural and construction equipment. "We're not talking about revolution, because we have never sought to break with the past, but undoubtedly an evolution of far-reaching importance."

But as the group starts to recover from last year's record loss, the same questions are being asked about the "new Fiat" as about the new Italy; how deep do these changes go, and will they last?

The first indication that Fiat would attempt to change its culture came in 1989, when the group's blunt-talking chief executive, Cesare Romiti, presented 200 Fiat managers with a highly critical analysis of the problems facing the group, which he described as "sad, laggardly and bureaucratised".

Fiat Auto was the most obvious culprit. In spite of earlier efforts to reform the Fiat car business, the group's principal operation was heading for a new decade with an outdated product line - it was six years since the launch of the acclaimed Uno in the popular smallcar range - and a reputation for

poor quality.

That reputation was not helped by an unspoken assumption within the company that customers were prepared to compromise on quality if the price was low enough - a fallacy which was about to be exploded by more efficient Japanese car manufacturers. Protected from Japanese competition at home, and coddled by a comparatively buoyant Italian market, Fiat Auto had been able to defer important decisions.

This was dangerous, not only for the division itself, but for the whole group. Fiat operates in more than 60 countries and has 15 distinct activities, including aviation, raillishing and financial services. But Fiat Auto still accounts for more than half of group industrial turnover and nearly 70 per cent of group revenues are drawn from the three principal divisions (cars, trucks, farm and building equipment). The

group's top managers are almost invariably drawn from these busi-

Analysts now criticise Fiat Auto for moving too slowly and not anticipating the inevitable cyclical downturn in the car industry after the years of plenty. But Garuzzo points out that the company was working gradually on a change of management strategy from the end

For example, Fiat started to intro-duce the "total quality" concept from 1989 across the group, attempting to change attitudes, reform relationships with suppliers and involve workers more closely in devising solutions to production problems. Garuzzo concedes this is not a strategy that gives results overnight", but five years later it has spawned Fiat Auto's first "integrated factory" at Melfi, in southern Italy, which is producing the new Punto small car.

Melfi, which came on-stream this year, is one of the main reasons why Fiat believes the changes introduced over the last five years will

There, Fiat is trying to delegate more responsibility to units of workers and managers. There is no separate building for central staff and the old blue-collar white-collar distinction is abolished: everybody wears the same overalls, distinguished only by small coloured labels, and decisions are made by work teams on the factory floor.

"At Melfi, the worker doesn't exist any more" read a recent headline on an admiring article in Il Sole 24 Ore, Italy's business daily.

Practically, it is easier to establish an integrated factory from scratch - on a site such as Melfi, where production lines can be mapped out for ease of access and component suppliers located next door, for example - than impose it on to a well-established plant such as Turin's Mirafiori, originally built for a different production strategy.

Garuzzo admits as much: "Undoubtedly Melfi is a workshop for [the management strategy], because starting with a greenfield site is always more simple. There aren't any old concepts and no psychological resistance to overcome."

Fiat executives believe the enthusiasm of the Melfi workers, who are mostly in their mid-20s, compared with an average age of 46 at other Fiat factories, will infuse the whole group. However, Fiat unions claim that although Melfi's employees drawn from a region with high unemployment - were keen on the project at the outset, disillusionment is beginning to set in as some of their high expectations are con-

the Fiat Auto strategy, however. Parallel changes in the company's approach to product development are also beginning to bear fruit. Fiat Auto has long since abandoned the accepted wisdom that you can introduce new basic models as rarely as once a decade and keep the range fresh with occasional restyling. At eight to 10 years, Flat's product cycle in the mid-1980s was short compared with the industry average, but by the early 1990s, the changeover period looked sluggish, particularly when compared with

apanese competitors. From 1991, the company began working on reducing this renewal cycle to five to six years. The full impact of this change will be obvious in 1996, by which time 18 new models should have been launched and the Punto will be one of the oldest Fiat models still produced.

Alas for Fiat, this heavy investment of time and money coincided with a reduction in the competitiveness of Italian industry, due partly to high labour costs. The competitiveness problem was eased in 1992, when the Italian currency was devalued and the link between wage increases and inflation cut. But it was at that point that the European car market, and Italy in particular, slipped further than any-

one had predicted.
"We suddenly found ourselves with an extraordinary mix of problems to manage, issues to face up to and programmes to take forward." explains Garuzzo. "Our basic decision was not to stop any of the programmes which were going on, because that would have further damaged our competitiveness."

s a result, as Fiat has been eager to point out, although the group recorded its largest loss in 1993 - L1,780bn (£736m) after tax, extraordinary charges and minority interests - it also devoted a record L8,900bn to research and development and capital expenditure, much of it to improving Fiat Auto's sales network in preparation for the launch

of new models. Meanwhile, the number of employees in the whole group has fallen from more than 300,000 in 1990 to just over 260,000 in 1998, and in Fiat Auto from 133,000 to 120,000. Cuts in Italy have been eased by government-sponsored redundancy ements. While the Fiat Auto employees abroad has

But in spite of the confidence of top Fiat management, Susanna Camusso, national secretary responsible for Fiat at Fiom, the main

Melfi is not the only element of Italian engineering union, believes the cultural changes have not yet permeated through all levels of the group. There are people within Fiat who have chosen this new cul-ture, but others who still think that the old system was fine," she says.

"Companies develop characters like people," agrees one analyst. "Sometimes after the age of 15, or even five years, or six months, there's nothing more you can do about changing that character."

As Fiat finally tries to reap the benefits of its painfully implemented management strategy, it must try to dispel three main con-

One is the danger that compla-cency will again set in as the reces-sion begins to lift. Garuzzo and his colleagues say the risk of "deca-[decline, or decay] still exists, "but this new system of management which increases everybody's participation should create motivation internally to resist this trend". Whether this is true may not become obvious until the next downturn in the market, by which time it could be too late to amend the strategy.

A second risk is that Fiat's foreign plants - for example in Poland, Turkey and Brazil - begin to generate the sort of industrial relations problems which have largely been banished from the main Italian operations. Last week, for example, Flat Auto's Polish workers voted to strike to try to force a 40 per cent nav increase

Finally, there is the open question of the Fiat succession. Gianni Agnelli is 73 and Romiti is 71. Last year both of them decided to stay on rather than handing on the chairmanship to Umberto, Gianni's brother, this summer as originally

Agnelli argued at the time that the market turmoil, the poor group results and the fact that Fiat had just launched a complex L5,000bn package of measures to raise cash meant investors did not want a new hand on the tiller. Some now believe the real reason was that neither Agnelli nor Romiti wanted a new chairman and chief executive to claim the credit for Fiat's recov-

Certainly there was no hint of impending change at last month's shareholder assembly, where Agnelli forecast a return to profit for the group this year. But in a company attempting to eliminate ment and to create, in the words of one executive, "a flat and wide [management] unit", the dynastic structure of Fiat's top management is beginning to look increasingly

job depends on being seen to be impartial, and snide remarks about

her protecting her husband's inter-

This is no one-off case. There

must be hundreds of couples where

ests would not have been helpful.



DESERT ISLAND MANAGER

Janet Reger

Janet Reger, the woman who made lingerie and luxury synonymous, is well-prepared for working from a desert island. Having once taken a three-week trip to Venezuela, she ended up staying three months, steering her company via a fax.

So, with that same lax and a telephone, what else would be vital for the Reger island office? "I'd need a subscription to Women's Wear Daily. It's a trade paper printed in the US but which covers the world. I didn't have it in Venezzula but would need it for an extended period away from London."

And for recreational reading?
"The Bible and I'd actually read it from beginning to end which is something I've always wanted to do. There are so many stories it would keep me interested, give me food for thought and maybe even some spiritual comfort if I really got lonely."

A companion would combat loneliness. Who would it be? I'd like him to be good looking and a good conversationalist. It would have to be a him really. It would be difficult for two women to be on an island together. I'd also want someone who was useful, someone who could do all the jobs on the island."

One item to preserve sanity is

"A Sonic the Hedgebog game, It would keep me amused during those long tropical rainstorm when I was hut-bound. I find it absolutely compulsive to play."

What would you eat? "Heagan Dars ice cream -chocolate or coffee flavour, or preferably both."

And drivk? "Coffee. I really love coffee. It wouldn't bother me if I didn't have alcohol at all but I would miss coffee dreadfully."

What film would you take? "I'm a regular cinema-goer but i can't think of a film that I could see over and over again. Maybe the film of my daughter's wedding would be good because it would remind me of all my family and friends back home.

In the office you can have one object to remind you of your early days in bus "A coffee pot I bought in a market in Nazareth when I was there very early in my marriage. it was the only thing we quarrelled about in our various comings and goings. I left him several times and kept going back only to leave him again."

What would you most like about descri island life? Seeing everything from one step away. When I was in Venezuela I was better et making decisions. I was clearer and caimer. Here I get into a flap when people come to me with a problem because they come to me in a state of agitation."

You can impose one condition to compensate for your exite. I would need an increase in my business so I could stay away and we could have someone to replace me in the London office.

Descritisland atthre is pretty basic but you can take one ... luxury item to west. "Make-up, especially a lat of mascara. Once you have a santan, you don't need much

Christine Buckley

Trying to unlock the treasure within

am a normal person. I know this because a career counsellor has just told me so.

The other day I received a Persper treasure chest bearing an invitation to a "dynamic afternoon of career psychodrama and hands-on interaction using a myriad of stateof-the-art techniques, presented by the experts, KPMG Career Consultancy". Thus it was that last Tues-day I found myself having my behaviour assessed, my lifeline read, my self-image examined in the company of solemn personnel directors from some of Britain's biggest companies.

The "state-of-the-art techniques" revealed variously that I am impatient (I knew this already), that I will never be the life and soul of the party (which I was distressed to discover) that I like being in control (I have been told as much before) and that I do whatever I'm told (which

was news to me).
My first visit was to the image counsellor, who handed me some crayons and a large piece of paper.

"Draw anything, an island, your family, anything," she said. I drew a picture of myself in a taxi in a tunnel - an image I chose because cars are the only thing I can draw and because the picture described my most recent journey. "That is a very strong image. It must be very strongly felt," she said, looking over my shoulder. She then asked if I was "expecting", and suggested that my anger at the situation might be to do with protecting the unborn child. I said I very much doubted it, and she reminded me that the point of these pictures was to bring hidden emotions to the surface.

A second expert invited me to plot my lifeline, marking the main events in my personal and profes-sional life as highs or lows on a chart. I had trouble even beginning this exercise. I couldn't decide whether being born was a high or a low point - as far as I can rem ber (which is not at all) it wasn't

I should have performed better



to write an imaginary newspaper headline and story about myself. But my mind went blank when it came to thinking up a sufficiently newsworthy future achievement. Finally I replied to 108 repetitive

questions asking whether my friends told me their closest secrets and whether they included me in their activities. According to this psychometric test my behaviour is really quite normal".

There can be no doubt about it. this career psychodrama was more diverting than an afternoon in the office. But I am not sure how I would have felt about it had I been

stances. Usually the exercise takes a full week, and is paid for by companies as a parting gift to employ-

ees they are about to get rid of. KPMG describes its exercise as follows: "In life as in career the treasure is really you. How to unlock it is the thing." I am sorry to have to report that the treasure that is really me remains as firmly locked up as ever. I can't even open the Perspex chest they sent me.

A friend has just supplied me with a good working definition of empowerment. His organisation has

面

just jumped on that bandwagon, and when I saw him last weekend he was not looking good: pale and tired and drinking heavily. Empowerment," he said, "is when your boss gives you all the boring parts of his job to do, and works half as hard himself."

Clare Spottiswoode may be wishing she had never heard of the job of gas regulator. Bad enough was that nonsense a few weeks ago about her private life, worse is the news that her architect husband has now turned down a small contract with British Gas simply because of his wife's position. It seems most unfair. He has

worked for British Gas in the past, long before his wife became involved in the industry. Moreover, the department which awarded him the business this time did not know there was any link between them.

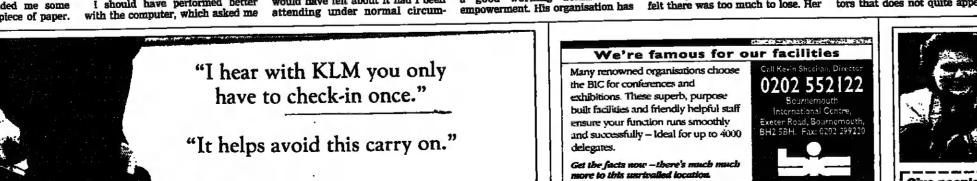
Yet Spottiswoode understandably felt there was too much to lose. Her

one is in public life, and the other working in a related area. Equally, there must be hundreds of potential conflicts, some of which are harmless, others less so. To have a blanket ban on a family member work ing in any area in which their other half wields power would be ludi-crous. It would also make jobs in

than they are already.

Some people, Margaret Thatcher for one, have the personality and the power to tough it out when members of the family manoeuvre themselves into potentially compro-mising positions. But lesser officials need more protection and guidance. One solution might be to set up a body to look at individual cases And yet there is something about a regulator that regulates the regulators that does not quite appeal.

officialdom even less attractive



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MANAGER

READING MATTER

Condon on the money

Richard Condon was a late starter in the literary stakes, into middle age before he began writing. Now he's approaching 80, with 26 novels under his belt, and to judge from the new one, Prizzi's Money (Michael Joseph £14.99, 241pp) he's still going strong.

This is the fourth in his series about the New York Mafia; the film of Prizzi's Honour established his wider fame and, I hope, his fortune. But connoisseurs of Condon would argue that the early books have never been bettered. The Manchurian Candidate, which became a very good film, may have heen the best. A Talent for Loving which ends with the Indians riding to the rescue of the hero from the US Cavalry - was

probably the funniest.

Sometimes the critics call Condon a satirist, sometimes a black comedian. The hallmark of all his fiction is the outrageous energy of his imagination, expressed in a prose which is baroque, even rococo, in its inventive extravagance. He is never happier, more confident, than when he is building an absurdly ornate cadenza of adjective, metaphor, paragraph. A Talent for Loving, for example, has page after page extolling the most exotic brands of cheese. And who can forget the wonderful scene in The Mancharian Candidate where Janet Leigh on a train journey talks down the Frank Sinatra character from a nervous breakdown?

Prizzi's Money has Henry Asbury, "adviser to presidents", a Croesus who has also been the Mafia's man in the White House for four edministrations, arranging his own kidnapping for a \$75m profit on the ransom. Thanks to his tricky wife Julia, it goes wrong, and Don Corrado Prizzi, aged 86 but still with a healthy appetite, surrounded by his usual team of endearing villains from the earlier books, is

extremely cross.
Julia is the central figure and no doubt Hollywood's actresses will die for the part: "a tall woman, a statuesque grabber, with cheekbones as high as the heads on Mount Rushmore. Her glossy, blue-black hair was arranged flat against her head, like a flamenco dancer's, over large, dark, steady eyes like *perioktos*, those triangular revolving prisms used as scenery in the ancient Greek theater, eyes which seemed to mock the men in the huge room for somewhere

taking the wrong turning." Omertà clashes with infamità. international finance has rarely been described with less respect. and Condon's prose rises to its usual excesses. It is, of course, com - the higher corn; clever, funny, forgettable.

J D F Jones

A few days in history

Choosing a book to read for the summer break? There are a number of histories that are worth considering.

Frauds, crashes, insider dealing and rampant anti-semitism - the racy world of 19th century London was the subject of David Kynaston's The City of London: A World of its Own: 1850-1890 (Chatto), the first of a trilogy exploring how the City came to be regarded as the world's leading financial centre. Kynaston explains how Queen Victoria took a while to warm to the new breed of hustling money-makers. preferring to honour, according to a confident, "the men who have raised themselves by patient industry and unswerving probity to positions of wealth and influence."

Quite what she would have made of unadorned table legs in the dining room was one of the themes of Michael Mason's The Making of Victorian Sexuality (OUP), which overturns many of our most cherished stereotypes of an age which was not that much more repressed than our own; 40 per cent of Victorian brides, reports Mason, were pregnant on their wedding

More sex and violence embellish Peter Gay's The Cultivation of Hatred: the Bourgeois Experience, Victoria to Freud (HarperCollins), the third of a four-part series on 19th century middle class culture Moving up the social scale, it

has been a rocky period for books on the aristocracy. First, there was Tim Card's Eton Renewed: A History from 1860 to the Present Day (John Murray), an essentially friendly book which was over-shadowed by disclosures that the school's former headmaster, Anthony Chenevix-Trench, derived unhealthy pleasure from beating his boys. This furore was accompanied

SEVERY day

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Zoe fight

cancel.

wo help

by the publication of David Cannadine's Aspects of the Aristocracy: Grandeur and Decline in Modern Britain (Yale University Press), in which the author completed the demolition job he started with his The Pleasures of the Past: The Decline and Fall of the British Aristocracy.

The pick of the history paperbacks over the last few months is Linda Colley's epic Britons: Forging the Nation 1707-1837 (Pimlico) and Roy Porter's Myths of the English (Polity

Peter Aspden

EATING OUT

The Dorchester: a bar that works

A cosmopolitan friend, now living in Boston, Mass., always asks me whenever she passes through London if I have made any culinary discoveries'.

Today, given the number of restaurant columns in newspapers and magazines, and the publicity top chefs receive, such 'finds' are much less common than they were. However, when she asked me the question recently, I did say that I had had a surprisingly good hunch in the Bar of the Dorchester Hotel. She was not impressed. She

would rather not eat in hotel dining rooms, she said, finding them, and the hotel lobbies that lead to them, cold and off putting. The opposite was the case when I hunched at The Dorchester. The lobby was full, with deals seemingly being done at every table. By 15.00 the air was heavy with cigar smoke, testifying to the successful culmination of at least some of

The Bar itself was busy, with quite loud entertainment being provided by two female diners and their portable phones. These they used every few minutes to phone the office to find out the phone numbers of Fenwicks and Harvey Nichols, where they were obviously going to spend the afternoon.

The transformation of the Bar began a year ago, after The Dorchester ran a successful culinary promotion with the Hotel villa d'Este on Lake Como in Italy. The hotel's management then decided to convert what had not been the most popular bar in town into a bar serving good Italian food.

STYLE

All others

are but vanity

All things in fashion are cyclical.

And the return of the vanity case

to the luggage of the international

traveller is a perfect example.

However, the weighty "train cases" that Phileas Fogg carried

their inlaid wood compartments

around the world in 80 days, with

and glass bottles, are not quite the

thing for today's pacey lifestyle.

The most interesting of the new

vanity cases are those which are

if you can afford the Sky Caps

light and yet functional. Although,

sary to carry your luggs people like Tanner Krolle and Louis Vuitton still make those

extraordinary hand-crafted pieces

future generation) and have done

Supermodels, usually the first

tough-looking cosmetic cases with

plastic vanity case by Bendels of New York in the store's distinctive

brown and cream house stripe. This is more squashy – more washbag than handbag – and has foldable trays for jewellery and cosmetics.

It goes inside a Prada rucksack

or gets held as an extra piece of

hand luggage and only needs to accommodate the mini bottle of

toothbrush if you travel extra light.

thought out tan leather case at

Gucci has a series of travel cases, including a rather serious but well

Evian and a Phillipe Stark

with something practical for the

reinforced edges by She-umura

(£150 at Harvey Nichols) or the

٩

£470. It has room for bottles and

vanity mirror, without being so

heavy that you'd need a course

of weight lifting before the trip...

Gucci's smaller round case (£145),

reminiscent of a 1950s design, would take all the cosmetics you'd need

for an overnight stay and fit neatly

into a carry on bag. Practical and inexpensive, Herve

Chapelier provides the nylon washbag/vanity case, either in blue

(which become heirlooms to a

so since the Victorian times.

daily flights, are sporting

MARRINER THE BAR ATTHEDOCHESTER . 30 6.94 CHARAIN HESTON AND PRISHP.

Treviso, a young, talented chef and handed him considerable culinary freedom. He repays this by offering a mouthwatering range of cold antipasti (£12.50 lunch only); a subtle fish broth with garlic bread, that contains large pieces of salmon and John Dory (£12); a thick piece

Normally, when hotels decide

most heavily on the decor. This

in Paolo Sari, a 24-year-old from

on such metamorphosis they invest

mistake has not been made here. Instead, The Dorchester has found

of turbot wrapped in a thin skin of potatoes and then roasted (£16.50); a Venetian speciality of pasta with a duck sauce (£12) and a coffee cream pudding that was as strong as any espresso (£5.50).

The Bar's wine list includes some of Italy's best names, Masi, Ceretto and Allegrini. The Bar at The Dorchester, Park Lane, London WIA 2HJ (629 8888). Open Mon-Sat 1100-2400, Sun 1200-22.30.

Nicholas Lander

MANTE STAR LIGGOGS

LEATHERS

What goes around comes around: vanity case of another era

Everywhere you go - you'll glow!



Strategy

To succeed these days in any field from business and politics to sport and religion you need a strategy.
In the past week alone Wall Street analysts have questioned whether there is a strategy behind the proposed merger between CBS, the broadcaster, and QVC, the home shopping channel, and the British trade unions have called upon the

The word derives from the Greek strategia (generalship) and entered English as strategie in 1688. It differs from tactics, which are immediate measures in face of an enemy, according to James' 1810 Military Dictionary. Strategy concerns something "done out of the sight of an enemy". The military origins translate into a language of sport or commerce through the shared concept of competition. Its derivatives, strategic, strategist and stratagem arrived in 1825 and 1838 respectively. The word relates to the medieval stratagem (an artifice or trick) conjured up again in Shakespeare's most wartike play, Titus Andronicus.

The force driving technical uses of strategy is Game Theory, the mathematical analysis of conflict, usually in war or economics. Websters defines a game, the abstract set of rules players agree to or are forced to follow, as: "a procedure or strategy for gaining an end", and the OED as "a simulation of a contest...to test

handbook, Sun Tzu's 500BC "The

government to deliver a strategy to create jobs.

nanagement, investment and politics, the standard business

a strategy."

The idea of strategy dates from the original business-school

Since strategy is familiar in

lingo, it was to be expected that one sample Financial Times last week had defensive strategy (politics), strategy for reduced borrowings (Elf), investment strategy and long-term strategy (Schroders) and also strategy and technique (World Cup).

Andrew St George

FINANCE

Taxing thoughts and bright ideas

Next time you are asked by your employer for ideas about how to make the business more efficient, why not suggest a staff suggestion scheme?

Companies as diverse as Toyota the Japanese car maker, to Richer Sounds, the UK hi-fi retailer, have all found that some of the best ideas come from the staff. What is more, the Inland Revenue may be prepared to throw in some tax relief for good measure.

Payments under suggestion schemes are fully liable to income tax, in just the same way as a salary. But, according to David Cohen, partner at London-based solicitor Paisner & Co, in practice the Revenue is prepared to waive its claim to tax as long as strict conditions designed to stop the concession being abused are adhered to.

"Firstly, there needs to be a document setting out the scheme rules and those rules must allow all the company's employees to participate on equal terms. Secondly, an award can only be made for a suggestion which falls outside the scope of the suggester's usual duties. If it is the sort of idea which he is being paid his salary to think of, any additional payment will be fully taxed," says Cohen.

The Revenue must be satisfied that there is a genuine link between the payment being made to the employee and the gains which

result to the employer's business. "The scheme must require the employer to estimate the prospective financial benefits and the amount of the award must not exceed 50 per cent of the anticipated benefit in the first year following

MY SUGGESTION IS WE



implementation, or 10 per cent of the net benefit in a period of up

SEALE

to five years. "The only exception to this is that payments of up to £25 can be made for suggestions which are rejected, provided they do have some intrinsic merit," says Cohen.

The maximum tax-free award for a suggestion which is implemented is £5,000. Any payment above this amount will be taxed at the employee's marginal

Since the Revenue's conditions are complicated but do allow potentially significant amounts of tax to be saved, a company which wants to set up a staff suggestion scheme will be well advised to seek clearance from its Inspector of

Scheherezade Daneshkim

TRAINING

Always look on the bright side of life

Tired, stressed, feeling negative about your job and only capable of mumbling "not bad" when asked about your health. What you may need is a dose

of Jack Black, one of the UK's

leading personal development

trainers, whose 'performance' before his audience is like a secular version of Billy Graham and his evangelical Christian crusade. Instead of redemption in the after-life Black, an ebullient Scotsman, offers his clients, including companies such as Glaxo, the pharmaceuticals group, techniques which "will give

individuals the opportunity to get what they want out of this life". Black, founder of Mindstore, is the British equivalent of Anthony Robbins, the US guru for self -improvement and motivation. Black's message is not new. It is that if somebody wants something badly enough he or she can re-programme the mind to get it. Black argues that it is no wonder most of us feel bad because we

spend our time being negative and moaning. He says that if the UK is to compete successfully against the Pacific Rim nations it must develop a more positive culture. If people change their thinking, he believes, they can change reality.

Ways at looking on the bright side start fairly simply. Black urges his clients not to say they are "not too bad" when asked about their health. "Instead, say you are feeling fantastic," be urges. This may not be how one is feeling. But say it enough times and the individual's brain ends up believing it.

Black's more sophisticated techniques for "re-programming" concentrate on making greater use of the right side of the brain. This is responsible for creative and intuitive thinking. Techniques include relaxation as well as "visualisation", which means

creating images in one's magination. In this case Black urges his clients to build an imaginary house which would include, for example, a shower room, where daily worries

can be imaginarily washed away. Visualisation, he suggests, should be practiced up to three times a day for spells of up to 15 minutes. Black says that often, before a business meeting, he locks himself in the lavatory, or some other quiet place, to focus his energy through visualisation techniques.

Sounds crazy? Well, his techniques have attracted a respectable portfolio of clients. willing to pay up to £350 for a two-day seminar – individuals such as Sir John Harvey Jones and corporate clients like Abbey National, Texaco, Thorn EMI and Rangers football club.

Former clients speak with almost religious belief of Mindstore's techniques. Robert Pilkington-Miksa, a partner in J Rothschild Assurance says: "What you think is what you get. If you

think you will fail you will." Pilkington-Miksa adds that one does not worry about how the techniques work, but they do. "I was in financial services before my present job and if I called 10 people nine did not want to talk to me. Then it all started to change and the situation was very much

Lisa Wood



has been that I can take it or leave it. Caring too much about sport can literally make me ill: I smoked 30 cigarettes in two bours during the last frames of the snocker World Championships ear-lier this year, so desperate was I for Jimmy White to win. And the 1990 World Cup, giorious though it was, gave me perhaps one minute of pure pleasure within far too many hours of churning stomach pains.

Oxford stripe or in smart plain

status label of the moment, has

several practical nylon bags in

every size to fit neatly inside another bag. But Prada does not

actually offer the vanity case or

its modern interpretation yet.

Eathy Phillips, beauty director

(Stockists 071 589 5755). Prada, the

navy, mustard red or black.

However good this year's competition has been, the best thing about it has probably been the fact that England are not there.

I want to care about sport but I panic when the caring is a primi-tive, unstoppable thing, as it was when I watched England in Italia 90. I cared so much that I had no control over my feelings. The mis-ery that this caused made me marvel at the people who willingly submit themselves to this degree of emotion every Saturday of the foothall season.

Of course, occasions such as the last World Cup are the ones that make sport worth engaging with. Never, never shall I forget the sen-sation that I felt when David Platt scored in the last minutes of England's game against Belgium: it was as if the whole of myself had been hurled into the net along with the ball. Obviously this World Cup has contained nothing comparable, indeed nothing very much at all that I shall remember. But it has produced an easy stream of lesser emotions. Not the least of these has been a rather mean-minded schaderfreude: a comfortable delight in observing the suffering of more successful teams than England, and in seeing their fans go through what I went through four years ago.

Yet one has to care a bit. Otherprobably every other nation - are masters at fabricating preferences ulous when the pretence at caring arouses sympathy, but also an turns into a reality, and people find appalled hilarity.

SPORT: LAURA THOMPSON



Oh so nice not having to care

that they are worked up about something for which they have no real feeling (like the tennis career of match, the one in which that Syrian Jeremy Bates, which engages most of its followers for only two weeks of the year). Still, to care when one can choose to stop caring is

extremely pleasurable. Hence England's interest in the Irish team. How much do the English really care about Ireland? Not very much at all. But the progress of the Irish gave England a pretend stake in the World Cup: they could watch, patronise, be generous, make jokes about the England B team, care and then suddenly not have to care at all. A transient relationship, undemanding and thus unrewarding - as such things always are - but far more enjoyable, in its way, than the inescapable anguish of love.

If England had been in the World Cup how, for example, would I have felt about those mad referees that have become the competition's talking point? Without England, I admit that they have been a source wise football matches, however of comedy. It is the difference exalted, would be almost always between having a row with a traffic unwatchable. The English - and warden, and watching somebody else have a row with a traffic warmasters at fabricating preferences den. The first arouses an unbear-for themselves. This becomes ridicable, frustrated anger, the second

referes was producing cards from his pocket like a malfunctioning robot magician, on the following day I should have been deliberately starting conversations with taxi drivers in order to get rid of my molten reserves of fire. Distanced as I was, however, I could not help but enjoy this magnificent farce that was being played out for me.

But it is all wrong, of course. Players can climb towards these few games for four years, and then be thrown back to the ground by the whimsical gesture of a power-crazed petty official who is probably consumed with jealousy for their youth, wealth and talent. And what power these officials

have! In tennis, if a referee makes what a player considers to be a bad decision, then the injured party can simply stop the game while he says exactly what he thinks of the referee's warped vision and warped mind. I am not saying that this is right, yet it is surely equally wrong that if one of those poor Bulgars or it will Mexicans had questioned the referee's card tricks they, too, would probably have been off the pitch.

But it is the faith that is placed in should the official judgments that is the love it too, real problem. Cricket succumbed to of course.

the need for video evidence, to help in the making of difficult decisions - why can't football? Referees are ageing men who are expected to run around for 90 minutes (or, in this competition, for

far longer - at 90 minutes these games are just getting started). to have a perfect incident and to make the right judgment about it every time. Should they really be shaping the progress of the World Cup?

But football is an unfair sport, and in the end these referees simply reflect this. Over a period of time, a good team will win more often than a bad one. Yet in a single match anything can happen - not just because of mad official decisions, but because the connection between great play and goals is insufficiently strong. In that sense, football is more arbitrary than any other sport. I should hate to be in the position of, say, a Brazil supporter, knowing



The cup that runneth over

Jurek Martin explains why **Alan Rothenberg** - Mr Soccer USA - is poised to benefit from the match between the sport and his expertise

are something else. Outside the court and boardrooms, they populate governments past and present (two Clintons, Christopher, Bentsen, and Baker for starters), the Congress (well over half the Senate have law degrees), Wall Street, opera houses and charities. Some own sports franchises. One of them is close to owning a whole sport.

That man, Alan Rothenberg, must be happy these days. But as the World Cup approaches its climax, he might also own up to moments of nervousness, as he and all those with a vested interest in the future of soccer in America contemplate

the next step.

The happiness of the youthful 55-year-old Los Angeles super-lawyer and past presi-dent of the California Bar Association is easy to understand. Soccer's quadrennial global tournament is well on the way to be a sporting and commercial success, not a pros-pect necessarily held out for its first staging in the US when Rothenberg assumed control of the operation in 1990.

He is, as the mega-TV screens in many stadiums display before and after each match, chairman, president and chief executive officer of

World Cup USA 1994 Inc. He is simultaneously - and not uncontroversially - president of the United States Soccer Federation, the governing body of the sport in the US. and head of the management team behind Major League Soccer. To call him Mr Soccer USA is these days no exaggeration. Even if his many public interviews in recent weeks have not disclosed a deep knowledge of what actually

takes place on the field, he is

no recent convert who merely

His involvement dates back

spots a quick potential profit.

merican lawyers to the late 1970s when he was part-owner of the Los Angeles Aztecs of the now-defunct North American Soccer League an investment, he has said, that he was lucky to escape from alive.

He was soccer commissioner for the 1984 Los Angeles Olympics, learning much at the knee of its impresario, Peter Ueberroth, who showed how it was possible to turn a penny from international sporting events that previously had made vast losses (viz the 1976 Olympics in Montreal).

That track record alone made him the favourite candidate of Fifa, the international soccer authority, to run the 1994 tournament

Rothenberg draws no salary from World Cup USA 1994, a non-profit organisation, but he will be paid a one-time bonus when the ledgers are finally drawn up. This may be as little as \$250,000, according to his supporters, and as high as \$5m. in the opinion of his critics.

Either way, the sum will have been richly earned, since Rothenberg thrives on 100-hour work weeks and has had to forgo some income from his lucrative law practice. It is also likely to be small in relation to his larger investment plans for the sport, which, in turn, hang on the popularity and profits generated by the World Cup.

The figures are by no means in yet, but they are already looking impressive. Average attendance per match is around 67,000, about 19,000 more than in Italy in 1990, with the size and quality of American stadiums only a partial explanation.

That two Arab teams could attract 72,000 to a match held just across the river from New York City, where few natural fans of Morocco and Saudi Arabia can be found, is a testament to general fascination with soccer and good national and local marketing.

Television ratings, a vital determinant in the viability of all professional sports, have ded most expectations. The USA Brazil game on the July 4 holiday, shown on ABC, the national network, was watched by about 10m Americans, a record for soccer. ABC and ESPN together bid

a modest \$23m for the domestic TV rights, reflecting soccer's previously low national recognition, but the international rights fetched \$275m.

Ticket sales, commercial sponsorship and other forms of income could mean, Rothen-berg himself has estimated, gross revenues of around \$1bn. Few opportunities to cash in have been left unexplored. Companies, including Coca-Cola, General Motors, Canon, MasterCard, and adidas, have paid up to \$20m each to be officially associated with the World Cup, a total take exceed-

ven that amount is prob-ably much lower than the cost of the promotional activities undertaken by companies, in effect free publicity for the event, Merchandise licensing arrangements, rock concerts and more besides have helped swell the pot.

A critical ingredient was the involvement of the nine host cities, chosen from a list of 25 applicants. This may have provoked some local disputes even in Los Angeles, of which Rothenberg is a conspicuous booster - but appears to have been broadly successful.

The almost complete absence of violence among fans and the estimated \$4bn equivalent of foreign currency spent at local hotels, shops, bars and restaurants has more than mollified civic doubting Thomases.

So has the temporary summer employment offered to thousands of young people serving as ushers, guards, press aides, runners, drivers



and "ball persons". Profits at the end of the day will be split between Fifa, the international governing body. and the US organising operation. The domestic share may approach \$25m and therein lies the controversy which Rothenberg's many soccer hats have

The broad idea was that profits should be disbursed to the general cause of soccer in America at the grass roots level. This will still happen. But, according to reports in

both the Los Angeles Times and New York magazine the facts of which have not been disputed, World Cup USA 1994, headed by Rothenberg, has already paid \$500,000 for a bustness plan for a new league to Major League Soccer, controlled by Rothenberg. MLS outbid two other contenders for the right to run the new

boss is Rothenberg. Further, \$3.5m from World Cup USA has been paid to MLS for start-up costs and total funding from World Cup

would like to be commissioner of the putative 12-team league,

IN THE MATTER OF FORTUNE OIL PLC

IN THE MATTER OF THE COMPANIES ACT 1965

NOTICE IS SERVENT (GIVEN that a Pesisten was on 24th June 1994 presented to Her Majoury's High Court of Justice for the conficuntion of the reduction of the capital of the above-susced Company from £2,300,000 to £12,500,000 and of the share premises accounts of the Company by £4,524,724,10 (from £7,304,614 to £2,806,809.90).

27,331.4.44 to 22,804.809.503.

AND NOTICE IS FURTHER GIVEN that the sale plantage is directed to its hards before bir Registray Bugdiny at the Buyet Courts of Jentson, Stream, London WCA 22.1. on Wolmendry 20th July 1994. Suspany desiring so oppose the subships of an Order for the confirmation of the said reductions of capital and situate promises account about proper at the three of the beating in pieces of the County of the said Pointer will be terminded to any such proper coupling the same by the reductions of any other said retired for the terminded to any such proper coupling the same by the reduction distillation on payment of the regulated change for the termind.

E W BARBEE LIMITED

and

BARBEE CERAMICS LIMITED

NOTICE IS REREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986, that meetings of the Creditors of the above named companies will be bad.

E WESSEX HOUSE, 19 THREEFIELD LANE, SOUTHAMPTON SOI4 JOB

a: 12 NOON for the purposes provided for in Sections 99, 100 and 10) of the Act. Creditors should ladge particulates of their chains for voting purposes at Wesses House, 19 Three-field Lane, Southampton SOM ACR before the meetings. Secured creditors (unless they surroader their security) should also include a statement giving delaste of their security, the date(s) on which is wan given and the value in which is a succeed.

in proparation for the proparent of the half-yearly acress due August 1 1994 on the above stock, the matter books will be chased at 3,30 pm on July 1: 1994 and will be re-opeated on July 25 (994.

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Means Canterna 218 Strad Landon WCZR LAZ Ref: FS

ORE IS JULY 1994

to run one himself.

interest or any dealings that would not stand up to scrutiny.

of his career, played for the New York Cosmos, but the Brazilian superstar's legs faitered and so did the legs from under professional soccer. It is now played mostly indoors and

goals,



Graeme Hart's corporate shopping list

Graeme Hart will learn tomorrow if his audacious bid to become one of the most powerful retailers in Australia and New Zealand is still on

Three weeks ago he launched a SNZ620m bid to buy Foodland, a troubled West Australian retailer. If the **Australian Trade Practices** Commission agrees, Hart will sell its Australian food stores to Coles Myers, and keep its substantial New Zealand operations - making him the dominant ligure in New Zealand retailing.

He is already a leading player in Australian bookselling, and has substantial printing and stationery business in both countries.

Hart has achieved all this plus a personal fortune of around SNZ600m - in just six years. During one of New Zealand's worse recessions ha has won control of every known target he has gone after, marking him out as a worthy successor to Sir Ron Brierley, New Zealand's best-known corporate predator.

Hart left school at 15 and started driving a tow-truck. A year later he bought his own trucking business, and tried his hand at a variety of businesses before deciding at the age of 31 - to study for his MBA at Otago University. His big break came in 1988, when he beat Brierley Investments to buy the **Government Printing Office** for SNZ23m, Some estimates of the GPO's more likely value were as high as \$125m.

Since then Hart has not looked back. He manages his growing portfolio of companies with a tiny head office staff of seven, including a secretary and a receptionist. His former partner Colin Dewe says Hart

Conv. 9% Ln. 2011 £4.50

Conv. 955% Ln. 2001 £4.75

Caisse Française de Devel.

MBE Fin. Ser.B Gtd. Dual

Basia Bd. 2001 \$195.45

Tst. 9p Securitised Endowment

Northern Indi. improvement

Standard Chart. Und. Prim.

Young & Co's Brewery 7.75p

Bradford & Bing, Bldg. Scty.

Common. Bk Aust. Dated FRN

Do. N/Vtg. 7.75p

WEDNESDAY JULY 13

Camellia 18p

Contracts 1.5p

Cap. FRN \$222.78

Do. Ser.4 \$180.37

Alberry Inv. Tst. 2.8p

Do. FRN 1998 £134.01

Do. Und. FRN (July '88)

Hewlett-Packard \$0.30

Hongkong & Shanghai Bk Prim. Cap. Und. FRN (Ser.3)

Marine Midland Fin. Gtd. FRN

Nat West Bank Prim. Cap.

Unitas Var. Rate Sb. Nts.

M THURSDAY JULY 14

Alexanders Hidgs. 0.3p

Do. A (Rest/Vtg.) 0.3p

FRN Ser.A \$182.26

FRN '97 £132.63

July '98 \$172.83

\$180.37

\$52.14

\$113.75

'94 \$13.27

Cleveland Tst. 2.3p

1214% Gtd. Ln. 2013 £306.25

customarily works 21 hours a day and his main recreation eems to be the "three hours left for sleep".

For years Hart has said he would retire at 40. But with little over a year to go, Hart's friends believe that this is one bid in which he is bound to

Solchaga takes up his pen

Spain's former economy

"supremo" Carlus Solchaga. 50, who quit as parliamentary spokesman for the ruling socialist party two months ago, is determined to keep his name in the news, writes Tom Burns. He has been hired by Expansión, Spain's leading business newspaper, as chairman of its advisory editorial board and pens his first column in today's issue. Industry minister between

1982 and 1985 and then finance minister, a post he held until he left the cabinet last year, Solchaga played a pivotal part in many of Spain's key domestic decisions in the past decade. He gave the green light to partial privatisations and took

the peseta into the EMS. He was unpopular with the trade unions for social spending cut-backs, with business for maintaining high interest rates and with the international markets - which forced three peseta devaluations during his last year as minister.

However, in May, Solchaga received the unkindest cut when the former governor of the Bank of Spain, Mariano Rubio, whom he had appointed, admitted tax evasion. Solchaga (below) did the honourable thing and resigned from active politics. By taking up the offer made to him by Expansión, a newspaper in which Pearson. publisher of the Financial

Times, has a shareholding. he becomes the most prominent Spanish politician so far to switch trenches and become a journalist.

Cleghorn's sugared path

Royal Bank of Canada, the country's biggest financial institution, has been through a turbulent period over the past three years, writes Bernard Simon, More upheavals are probably in store following the appointment of John Cleghorn as the bank's chairman and

Cleghorn, aged 52, is more brusque but also more down-to-earth than his urbane predecessor Allan Taylor, who is retiring after 45 years with the bank. While Taylor is known throughout the bank as Mr Taylor, Cleghorn - who frequently travels economy class - is simply John.

Cleghorn, an accountant who started working life as a sugar trader in his native Montreal has been with the bank for 20 years. His path to the top became clear eight years ago when he was named president RBC, with assets of C\$158hn and 47,000 employees, was hit hard by the recession. In particular, it took a heavy knock from sour loans to the troubled real-estate and forest-products industries.

More recently, however, falling interest rates, a halting economic recovery and a strong contribution from the securities business have brought a turnround. The bank produced a 17 per cent return on equity in the first six months of its current fiscal year.

Cleghorn spearheaded the acquisition last year of Royal Trust, a failing trust and loan company. Although the bank swallowed a C\$300m charge to cover the cost of integrating Royal Trust. Cleghorn won praise for bringing the two institutions together in a relatively trouble-free way.

After he takes over as ceo on November 1, Cleghorn is expected to flatten the bank's hierarchy and bring more young executives into the top ranks. Among the issues confronting them will be RBC's failure to carry out its goal of making a sizeable US acquisition. The bank has so for maintained that nothing has been available south of the border at a reasonable

CONFERENCES & EXHIBITIONS

SUCCESSFUL CONTRACTING FOR THE PUBLIC SECTOR CBI Conference covers Market Testing The conference will focus on the und Compulsary Competitive Teaderis plus practical advice on contract

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FT WORLD AEROSPACE AND AIR TRANSPORT

future to achieve growth, together with the impact of government policy.

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OCTOBER 3 - NOVEMBER 21

FT-CITY COURSE This course is designed to provide This coarse is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and securities markets.

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EBRD/World Bank funding, the Czeca Ministry for Industry and Trade require companies who can supply services for the reconstruction and development of the Czech Republic. For more information and British representation at BUILD, contact:

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A WIDER CONTEXT: **RULES AND RELATED LEGISLATION** century, how it is restructuring for the Sanck Exchange. Topics include how USE works in practice; listing particulars; impact of government policy.
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Tel: 081-673 9000
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role of broker, Company Secretary's typical LONDON day. CPD 5.5 bours.
Contact: Kay Dickinson, IBC,
Tel: 071 637 4383 Fax: 071 631 3214

LONDON OCTOBER 28 SUCCESSFUL BANKING RECOVERY AND BANKING LITIGATION TACTICS

Speakers include representatives from 3-4 South Square. Topics: winding up and butkrupting customers; obtaining possession orders and enforcing managers; guarantees; insolvent bank and set-off; confidentiality - exceptions; bank as knowing recipient and assister, syndicated 65821 Contact: Kay Dichanson, 100.

LONDON Tel: 071 637 4383 Par: 071 631 3214

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INTERNATIONAL

JULY 15 CAPITALIZATION OF THE **BOLIVIAN STATE-OWNED** TELECOMMUNICATIONS (ENTEL)

ortia-led operators, will include in-depth presentations of the telecommunications sector, sectoral legislation and the Bolivian government's capitalization strategy.
Contact: Edgar Saravia, Secretary for
Capitalization, Phone: 591-2-356741
Fax: 591-2-377451
KEY BISCAYNE, FLORIDA

Competition in combination with open access will force utilities to introduce more advanced technologies such as: IT/DA/DSM/SCADA/AM/FM/GIS/AMR At this conference & exhibition the latest developments will be discussed and shown Contact PendWell C&F

PARIS SEPTEMBER 29 & 30 FT INTERNATIONAL BANKING The conference will provide a forum to debate the outlook for banking in the mid-EXECUTIVE DIRECTORS to explore 1990s and address a wide range of issues of ways of working constructively with the current concern to the inte risks they experience personally in banking community. Seeking to achieve corporate aims and Enquires: Financial Times

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PRAGUE EXHIBITION & CONFERENCE Construction • Metal Trades • Building and Mechanical • Engineering • Local Government. In accordance with EBRD/World Bank funding, the Czech

Miroslav Jurek, CENTEC Tel: 071 925 1232 Fax: 071 306 0750 PRAGUE

US Soccer Federation, whose

profits may exceed \$6m. Rothenberg has also said he

though he may then face challenges to his control of the US Soccer Federation. But as commissioner he would control the disposition of franchises for the new league. He may want

Soccer in the US is, as even his critics concede, a small and underdeveloped pond, short on resources and competing personalities, in which Rothenberg is a very big fish. He resolutely denies any conflict of

If soccer is to take off in America after World Cup euphoria fades and sports like baseball, basketball and gridiron football reassert themselves, it is going to need a powerful man at the helm. Once, fleetingly in the 1970s, it had Pele who, in the twilight

in obscurity.

Alan Rothenberg may not know how to kick a ball but the evidence of the World Cup is that he sure knows how to set up the business of scoring

Channel Hidgs. 0.7p DKB Int. Fitg/Fxd. Rate Gtd. Nts. '04 \$19231.25

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FRIDAY JULY 15

93/95 £2.75

2011 £4.9375

Ln. 2010 £5.0

Bardon 1.20

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Db. 12 £5.125

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\$10.11

Hozelock 2.3p

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Quadramatic 2.5p Treasury 13% 2000 £5.50

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Am. Medical Int. 93/6% Un. Ln.

ASH Cap. Fin. (Jersey) 91/2%

Barclays Bank 12% Un. Cap.

Brazillan inv. Tst. \$0.005

Charles Sidney 1.2p

British Inv. Tst. 2.85p Caradon 5%% Sb. Cv. Bd.

Churchbury Ests. 4.2% Cm.

Do. A (NVVtg.) 4p Dares Ests. 10%% 1st Mtg.

Edinburgh Inv. Tst. 34% Ob.

Forte FRN 1998 £1490.05

Govett Strategic Inv. Tst. 10%% Db. '16 25.1875

Helical Bar Cv. Rd. Pf. 2012

Hydro-Quebec FRN 1999

Johnson Fry Second Utilities

Franklin Res. \$0.08

Pf. 2.1p Daily Mail & Gen. Tst. 4p

THE WEEK AHEAD Kelsey Inds. 3p Lasmo 9%% Cm. Pf. '96 McLeod Russel 2.75p

Morland 3.06p

North Surrey Water 4% Db. £2.0 Do. 44% Db. £2,125 Do. 51/4% Db. \$2.625 Occidental Petroleum \$0.25 Pacific Gas & Electric \$0.49

Murray Int. 3.9% Pf. 1.95p

Perkins Foods Cv. Pt. 2005 Prudential Fdg. 8%% Nts. '94 \$87.50 Quaker Oats \$0.53

Quebec Central Railway £2.50 Rhino Grp. 0.5p Royal Bank Can. Govt. Stig. Fd. Inc. Ptg. Pf. 1p Selyu 6.15% Bd. 1997 Y615000.0 Sidlaw 4.5p SmithKline Beecham A 3p Do. Equity Units \$0,05593 Spandex 4.9p Sweden 11% Ln. 2012 £550.0 Tiger Oats R0.31 Treas. 91/2% Ln. 199 £4.75 United Drug IR2.35p Westbury 3.5p Whesson 2.3p Witan Inv. 3.4% Cm. Pf. 1.7p

3.73

Young (H) 1.2p M SATURDAY JULY 16 Anglo & O'Seas Tst. 41/4% Cm Pf. 1.575p Euro. Inv. Bank 9% Ln. 2001 £225.0 Trees. 81/2% Ln. 2007 £4.25 SUNDAY JULY 17

Treas. 21/2% I.L. 2024 £1,8122

Druck EFM Jepan Tst. Fleming Gested Inc. & Assets Im. Tst. Great Universal Stores

UK COMPANIES

TODAY
COMPANY MEETINGS:
Drayton Kores Trust, 11, Devenshire
Square, E.C., 10.00 Square, E.C., 10.00
(Reinwort Endorsment Policy Tet., 10, Fenchurch Street, E.C., 12.30
Noncros, The Brewery, Chiswell Street, E.C., 12.00
Northern Investors Co., County Thistle Hotel, Newcastle upon Tyne, 1.00
PowerGen, International Convention Gentre, Birmingham, 11.00
BOARD MEETINGS:
Finals:

Brumsgrove Inda. Cook (DC) Drew Scientific Ellis & Everard Hamlet Shield Diagnostics

■ Tomorrów Company meetings Airflow Streamlines, Northampton Most House, Silver Street, Northampton, 12.00 Bertram Hildgs., Founders Hall, 1. Cloth Fair, E.C., 12.00 Fair, E.C., 12.00
Birtish Ainways, Barbucan Centre,
Barbucan, E.C., 11.00
Camella, Athenaeum Hotel, 116,
Plocadilly, W., 10.30
Davenport Knitwaer, Allen House,
Newarke Street, Leicaster, 11.15
Dawson International, Caledonium Hotel, Edinburgh, 12.00
Pioteling European Fledgling Investment Trust, 25, Copthall Avenue, E.C., 12.00
Restech, Halldin Hotel, 5, Halkin Street, S.W., 12.00
Friendly Hotels, New Connaught Floomst, 61-65, Great Queen Street, W.C., 11.00
Great Portland Estates, Cafe Royal, 68, Regent Street, W., 12.00
Henderson Administration, 3, Finsbury Avenue, E.C., 12.30
Johnson Matthey, National Gellery,

Hall, 1, Cloth Petr, E.C., 12.30
Young & Co's Brownery, Earls Court
Petr, Int. Lillie Rd, Fulham, S.W., 4.00
BOARD MEETINGS: Electron House Equity Cons Inv. Tat. Jacques Vert Real Time Control Reserver Wood (John D)

St. Modwan Properties

WEDNESDAY JULY 13 COMPANY MEETINGS

eral Come Inv. Tst.

ning Int. High Inc. Inv, Tst. vern UK Index Tst. Interims: BWD Secs.

ttish investment Trust, Donaldson Lise, 97, Haymarket Temace, Edinbe 11,00
Dares Estates, Cront Essiern Hotel,
Liverpool Street, E.C., 12,00
Gertmore Shered Eguity Trust, 16-18,
Monumont Street, E.C., 10,15
Gertmore Value Investments, 18-18, ent Street, E.C., 10.00 murics & Spencer, Grosvenor House Hotel, Park Lane, W., 11.00 Meyer International, Waldorf Hotel, Aldwych, W.C., 12.00 Mezzanine Capital & Income Trust 2001, 41, Tower Hill, E.C., 11.00 Parkland Grp., Albon Mits, Greengores, Brailford, 11.30 Penna, Orion House, 5, Upper St. Mortins Plysu, The Browery, Chiswell Street, E.C., 12.15 alveson (Christian), Sheraton Hotel,

Prism Leisure Stanley Leisure Stewart & Wight Interims:

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First Ireland Inv. 1.52p Fleming Far Eastern Jackson Grp. 1.3p Kansai Int. Air. 81/2% Gtd. Bd. 98 \$85.0 Kobe Steel FRN 1996 Y63510.0 Lon, Smaller Co's Inv. Tst.

2.39p Lucas Inds. 10%% Bd. 2020 21087.50 Metropolitan Est. & Prop. Int. FRN '95 Y113750.0 Mitsui Fxd/Fitg. Rate Nts. 96 Y560000.0 Morris (Philip) \$0,69 Pacific Dunlop 7% Sb. Cv. Bd. 96 \$70.0

Prowting 1.7p Reed Publishing (USA) 9% Gtd. Bd. '96 \$900.0 Do. 9%% Gtd. Bd. '97 \$962,50 Skandia Cap. Gtd. FRN '95 \$932.12

Smart (J)(Contractors) 2.3p Smith (James) Estates 3.1p Warburg (SG) Cap. FRN '06

1994.
A list of names and addresses of the countries's creditors will be available for inspection free of change from MD Replings, submissed insolvency practitioner, Renat & Young, Wesses Lious, 19 Three-field Lane, Southerspion SO14 JQB on the two business days pilor to the macting.

DATED THIS FIFTH DAY OF JULY 1994

COMPANY NOTICES QUEBEC CENTRAL RAILWAY COMPANY 4% FIRST MORTGAGE

D R Koust, Assistant Secon 62-65 Trafsigar Square, London WC2N SDY July 8, 1994 Temeins
Tomkins
Interims:
Bury (AG)
First Philippine Inv. Tst.
Gaytmore British Inc. & Growth Tst.
Low & Bonar

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Body Shop 1.25p Johnson Fry Utilities Tst. 1.6p Burmah Castrol 11p

Owners Abroad

II THURSDAY JULY 14

COMPANY MEETINGS:
BAA, Queen Elizabeth II Conferent
Cantre, Broad Sanctuary, S.W., 1 Ventue, E.C., 1230 Johnson Matthey, Netional Gallery, Tratalgar Square, W.C., 12,00 London & Metropolitan, 20, Fenchurch Street, E.C., 11,00

Festival Square, Edinburgh, 11.00 Storefrouse, Royal Lancaster Hotel Lancaster Tenace, W., 12.00 BOARD MEETINGS:

Transport Openiopsion!
Transport Openiopsion!
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Transport Openiopsion!
Medicine, 1, Wimpole Street, W., 11.30
Straten Land Company, May Fair Hotel.
Straten Street, W., 12.00
Brown & Jackson, 135, Bishopogen,
E.C., 5,00 E.C., 5.00
NSM, 30, Furnival Street, E.C., 11.00
Proteom, 135, Bishopsgote, E.C., 12.00
THORN SMI, London Marriott Hotel,
10, Grossvenor Square, W., 11.30
BOARD MEETINGS: Moorgate Inv. Tst. Interims: Aberforth Smiller Co's Tst. Anscable Smaller Enterprise Automated Security omerwise stated.
Please note: Reports and accounts are not normally available until approximation to weeks after the board meeting to approve the preliminary results.

Just how hot is Diller's sizzle?

Martin Dickson reports on the man behind a \$7bn proposal to merge QVC and CBS

wo of America's big-takeover bids in the MAN mit months have been multi-million Milar bets on the talents of a single individual: top Hollywood executive Barry Diller. Can he really be so very special?

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> The question may be raised this week at a board meeting of CBS, the US television broadcasting network, which will vote on the recently proposed \$7bm merger between CBS and QVC, a much much smaller television home shopping net-work headed by Diller. CBS would buy QVC, but Diller would become chief executive of the combined

CBS shares rose strongly on the merger announcement, partly because of hopes this might flush out a hostile hid for the company, but also in the expectation that Diller will inject fresh vitality into the network's programmi

What Hollywood calls the "Diller sizzle" also enabled him to raise \$10bn from investors and banks at the start of this year to support an unsuccessful bid for Paramount Communications, the film and book publishing company, which was ultimately acquired by media group Vlacom

This faith is based on the 52-year-old Diller's impressive track record over the past two and half decades at masterminding commercially successful films and television shows. Yet there is a danger of overinflating his reputation and creating a "cult of Diller," based on the proposition that everything he touches inevita-

bly turns to gold. Being successful Hollyrequires a rare madmillion of Library a hard head la business, a gut instinct for popular and ability to nurture yet trol individuals who may be wildly unconventional, profoundly egotistical

"Barry," says 💶 leading month Odyssey in which Diller Hollywood figure, "been able to follow that fine line between a responsible financial and allowing talent enough room to out well comething way

special " The same can be will a tiny handful other Hollywood executives, but Diller has achieved W record III a much greater diversity of film and whether than and of the sees - and in well which show a gambler's delight in proving

tional
The son a wealthy Beverly
Hills developer, dropped out of university and joined in film industry by way if the mailroom of the William Morris He rapidly through catherine CEN and to Later in lie early life. pioneering week" and the television mini-

1974, and only he was appointed chairman is suggested. mount Pictures, 🕍 🚞 🐚 Hollywood film
For the 110 he widely regarded golden with day Hydr fewer and Edding of

He quit Paramet in 1984 Davis, the new head ent joined la Fox studio shortly his Corporation media

Together Murdoch and Diller set out to do what most people in the industry regarded as an impossible folly: turn Fax into a fourth national broadcasting network, alongside ABC, CBS and NBC.

After a hesitant start they pulled it off, but in early 1992 Diller resigned, saying he neur like Murdoch, and wanted to run a business of his own. The followed a IV

cross-crossed America, analysing the future of the converging entertainment, computer and telecommunications indus-

II was a period in which lim acquired mystique of an entertainment "visionary" though his public pronouncements the has life idea than the where the brave new world of "multimedia" entertainment 📗

The sojourn ended in a man-ner which shocked the Hollywood glitterati. Diller announced in December 1992 that he would became third executive of QVC, a cable telewalls shopping channel, its merchandise of which included tawdry jewellery tacky knick-nacks.

QVC as the cutting commercial technological revolution which would transform American television: Inter-activity, allowing to summon up a cornucopia of Print the believationers at the touch of a remote control button. QVC. moreover, was to be just the first step in the creation of broad-based Diller entertainment empire.

turn out be the manual step. Former colwould bring M MM network extraordinary ability w spot creative talent, was it in a context that may not be immediately obvious, and give it free

But while his management generally hands-off, he down on a business and ask the right questions.

He also has ■ reputation for impatience, intimidation and for not suffering fools gladly. Colleagues suggest this is in part to his tendency to play advocate, opposing ideas put up by his staff to test



how well they have thought out. "He likes people who are sure of their ideas they will lay down under a train to get them done," says one long-time asso-clate. "If you're we ready for someone w challenge your ideas, then down with for

Barry Diller." Diller has a great deal to prove on the much larger stage he now wants to command. At QVC, for example, he has done much to enlarge and improve the quality of its programming. But the group's sales growth and gross profit margin dipped in first quarter of this year. Diller has yet to show that the up-market American consumer is ready for electronic shopping, and he faces increasing competition from established and retailing giants, are are preparing to gamble on the

Nor has he been very explicit about his plans for CBS and how broadcasting network into his illing if intersctivity. Indeed, he appears to changed his on broadcast television over the given not long after he joined

QVC, Diller quoted rejecting the idea of owning a TV network: "It would be fun. but even as I say it, I bore

This very private has to prove he im temperament run large, publicly-quoted company, and entrepreneur like his mentor Murdoch.

First, however, he has to capture a big enough vehicle for his talents, and he badly needs to win CBS: to lose one multibillion dollar bid may regarded as misfortune. To lose two might seriously dent the cult of Diller.

Investors move into Vietnam

An enduring memory for many first-time visitors to Vietnam the sight of apparently street vendors and barrow boys squatting on the pavement, reading books, magazines and néwspapers.

Vietnam 🛮 poor, but nearly 90 per cent of its 70m inhabitants we literate. The economy, furthermore, had started to expand rapidly since the communist government embarked on a series 🗃 and hards in the late 1980s.

This combination of literacy and economic growth has encouraged a growing number foreign companies to in the potentially lucrative Viername print

At the end of May Australian Press. in which businessman Kerry and his family a large holding, bought cent of the company that and the Vietnam Review. periodical published in and Viviania editions; price by the name believed M have mill more

In June, Sondhi Limthongkul, the Thai publisher whose Manager group owns newspapers in Thailand and the Hong Kong-based magazine Asia Inc. slened an agreement to upgrade the state-owned English-language daily Vietnam News.

But for the time being the biggest foreign player in the Vietnamese media is Ringler, the Swiss publishing group which was able to build on its experience of launching business publications in

Ringier runs four titles in Vistnam, including the weekly Vietnam Economic Times with a circulation of 37,000 and New

Fashion, which 35,000; both are in Vietnamese. The company also launched ■ monthly English-language version 📰 the Vietnam Economic earlier

"The we learned i that if you go very early into an emerging market and build up a position very rapidly, then you're well set for the future," Alain Jeannet, Ringier's project manager for Asia. The company has spent dollars on Vietnam in the past 18 months, but its two main publications to break-even point later little

The foreign partners in Vietnamese newspapers and magazines all speak of their plans to upgrade the publications they manage. They can certainly increase advertising revenue and improve production, distribution 💶 presentation but their influence over editorial 📹 🗐 is severely especially when

Only state-approved (IIII in Vietnam, and foreigners merely sign 'co-operation contracts" giving them a right 📭 🛚 share 🖃 📟

The Vietnam Investment Review, 🗽 example, 📗 managed by State Committee for Co-operation Investment, while Vietnam Times titles run by come under auspices 🖫 👫 🖊 Vietnamese

Control I news by the government 🖥 unlikely 🖿 🚍 relaxed companies like Ringier are concentrating u areas such as information and fashion they can make without with into trouble. Fashion's could boosted 100,000, says Jeannet.

ARCHITECTURE

Central Chelsea oasis

Colin Amery discusses a brave new house from Anthony Collett

ne of the rarest things to find in Britain at the built, architect-designed house It is one of the tragedles of architectural life in the UK that so few people build themselves a new house.

There are various reasons for this. The difficulty of finding a site, especially in or around a major city; the endless and irksome planning regulations that are enough to deter a potential builder; and the inclination to buy the implied social status that comes with an old house when new money is made.

The lure of the old is a very real problem in the UK. When you make money in the US, Germany or Japan, the natural thing to do to build a new house. This is wonderful for architects and very good for the progress of architecture. Houses are the natural place for architectural expression and for that fusion of ideas between client and architect.

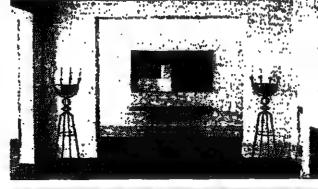
In London recently I was excited to be shown an exceptional new house in an unexpected place - a very central site in **Architects Anthony Collett**

Associates, working closely with he developers Toyoko Metropolitan Com-Old Rectory into hixurious London 🕶 and 🖿 part development was able build a new line on a long, thin is between the rectory garden and the Kings

Initially it must have seemed a very unpromising -between he had the and the rectory garden. Any agent would probably have recommended that a routine development al mews houses was best option. Luckily Collett came along, an architect with imaginative and practical ideas. He saw the potential **L** one remarkable

He and his development partners succeeded in breaking the mould by not following estate agents advice and took a speculative risk by designing a significant single house to a very high and original architectural

It is unusual in that the major part of 🖼 📶 extends right in the external boundaries of whole long.





narrow site. This not only produced the largest floor area possible for the house, it also gave the architect the opportunity to include in the plan three internal courtyards. This gives the house the

atmosphere of Roman atrium house but the architectural style does not ape classicism it is its own clear, modern and yet characterful idiom. From the way you we very little. in the wall - one leading through the garden to the front door, and the other to the garage.

The first surprise is the formality of lim white facade with its small dome and tall copper clad door. Once you are inside the reason for the dome becomes clear. It provides dramatic top www.

certainly imparts a sense of scale and dignity to the build-

It is light that is the key to the success of this house. It is brought in through the court-yards and the skilful use of top light in the corridor and double height volume of the drawing room.

Both the dining man and

the drawing room look on to the first and largest courtyard garden - which in summer is really a third reception room as it is completely private and enclosed. These major entertaining rooms have a cool elegance about them with their understated detailing and variety of scale. The house would suit a mission modern art setting and architectural achievement of a high degree.

large-scale paintings and sculp-At the heart of the house is a

small study and library, where Anthony Collett shows the advantages of being an archi-tect who is also an experienced interior and furniture designer. The library is panelled in timber and has a simple modern, green marble fireplace - svery-thing is simply detailed, while retaining a sense of tradition

in the use of good materials. This sense of solid materials and clear design continues around the second courtyard area, which is the garden for the indoor swimming pool. The pool, although indoors, into the courtyard and is lit by large skylight, which sense being as you can swim and look we at the sky. The floor of the see, metre long pool is tiled in a chequer-board pattern, with granite steps leading have into the water.

The third element II the house has a very different character to the lean and elegant entertaining rooms. It is a two-storey pavilion built around garden and linked by an interesting staircase to the rest of the house. This is the private realm guest bedrooms and, on the first floor, a complete family that feet entirely mil contained. This lim the family newly-planned rectory which is one if the largest private gardens in London. While this is clearly a luxuri-

ous house, that needs its sepazones for minima and it has many architectural lessons for urban living. It demonstrates the virtue of the courtyard plan in allowing both privacy and outdoor space on a confined site. Stylistically Collett and Associates shows it is possible to provide a sense of elegance and great material design and excellent materials. Collett's approach to

comfort by using modern design allows the drama of the domed entrance hall and the coolness of the simple high reception rooms. The use of this oddly shaped pocket of urban land also demonstrates that it is possible to develop imaginatively in the inner city - in a way that allows for civilised private life in an elegant

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CONTRACTS & TENDERS

REPUBLIC OF CROATIA **COUNTY OF SPLIT-DALMATIA**

THE CITY OF SPLIT CITY COUNCIL

Announces

INTERNATIONAL BIDDING

For lease of Banovina Building in Split

The City Council of Split announces international bidding for the lease of the Banovina Building in Split. The leases will be obligated to make all improvements on this attractively commercial building and ill accompanying fellill and m commercialise the facilities.

According to the urban-planning documentation of the City III Split, the building may be used for the following purposes:

Information and computer center

 Convention center exhibition halls

• facilities

 administrative offices various trade services.

The building contains $11,271 \text{ m}^2$ of net usable floor space with 800 m2 ancovered terrace. The building was contains a

The lessee will be obligated to reconstruct, adapt and put the building into use within one (1) year after obtaining the required

The bidding will begin at 16,600,000 DEM in a (iwenty) year lease period.

The bidding is open to all resident and non-resident firms and individuals. All the cechnical technical regarding the present condition of the building.

The bidding documentation consists of:

Book I - Bidding documentation which contains all bidding conditions. The bidding documentation may be obtained N 500 DEM, payable in Croatian Kunas according to the exchange rate on the day of payment No. 34400-789-3091, Splitska Banka, City of Split.

The bids must be received no later than August 26, 1994, either hand-delivered or posted to the following address: The City of Split, The City Council, 58000 SPLIT, Domovinskog

The preparation and realisation of the bidding will by the City of Split, the City Council.

The bidding documentation may be obtained at the following address: City II Split, Administrative III for City Management, Split, Mazuranicevo II I, Croatia. Further information may be from the Administrative Offices for City Management, Split (Branko Mijan, Director): Tel. (058) 589 170, Fax: (058) 587 431.

All bidders will be advised of the results in accordance with the

BUSINESS TRAVEL

Air Inter strike The French third of its

Hights temorrow because of a one-day strike. The airline has asked ssengers to transfer ookings to today or fednesday when it has ald on extra capacity.

the strike, the fourth in ecent months, to dema atonomy from the ng carrier Air

international routes in tion for oper the airline to foreign

The Burope salon ardered s of Air Inter's most to be opened to foreign airlines within six month Earlier strikes by Air inter unious took place on May 17, June 2 and June

airline to offer its passengers a range of in-flight services via the Mercury Flightlink system when it is installed on selected routes early next year. The service, a digital sir-to-ground communications system, will

allow passengers to access a range of information services while in the air. As well as being able to make in-flight telephone calls, passengers can receive news, weather and financial reports and make hotel and car hire

Mercury flight call

Air UK will be the first European

Travellers will access these services via a seet-back colour screen and an armrest mounted Swiss departure tax Some travellers to Switzerland will be loss bard hit by the

departure tax on flights from UK airports than they might have feared, writer Sir John Cope, the

paymester general, has announced that flights to Basie and Genera will be subject only to the lower \$5 duty rate when the tax is introduced in October, and not the £10 rate applicable to non-UK or European

rare bout of Treesury generosity, but to the difficulty of enforcing

the higher rate. As Sir John expli two airports are in "the investigation of France - en Elj

engers to choose late which country to exit the "It would therefore be

impossible to charge the higher £10 duty rate, as there is no distinction on a passenger's ticket to elicate whether he in to enter Switzerland or nce," Sir John reas

Taiwan typhoon Typhoon Tim lashed eastern Taiwan with etrong winds and heavy rain

forcing the suspension of flights to two offshore islets. Taiwanese officials said an important highway in Hualien city was closed because of landstides set off by the

tomential downpour. In the Philippines, the Manifa neather bureau said another tropical storm, Vanessa, had developed in the South China See and was bringing strong winds and heavy rains to the main Philippine island, Luzon.

Likely weather in the leading business centres Pa Q a Q a Q a Q a Q a Honey Honey 2 22 25 32 25 37 25 30

A US agency plans to save clients money by cutting out extras such as frequent-flyer schemes, writes Richard Tomkins

Airline perks in peril

employees travelling on company money should allowed to keep frequent-flyer points for themselves. Most who responded thought they should. But the question will no longer if if Mr Kevin Mitchell, founder of new US record called Busi-Travel Contractors, has

Mr Mitchell is In Indiana traveller's _____ _ believes Ilm companies are being ripped off by frequent-flyer and other in the Marie by airlines. Si he would slash and of corpoair travel (and, incidentally, make money for Mr Windshill by wiping out

II in no mirani trua live frequent-flyer system, where receives points, ar flights, is to abuse. employees may business journeys miles for their personal was others may choose unnecessarily long and expensive routes; still more www travel with certain airlines III earn miles in their frequent-flyer programmes MAIN other MYIIAM Would charged much less for

Frequent-flyer hownot the series of concern to employers. In MIS. elsewhere, most nies um travel agents 🖚 handle their air travel quirements. The large agents make their money from the marini 10 per non commission they

airlines also offer loyalty bonuses, known as overrides, in travel agents which sell enough of

plus allowknown as 📆 dollars exchanged for free tickets, free upgrades

small wonder that companies sometimes Pennsylvania, mile its question whether III advice they are getting is unbiased as they would like | to be.

Mr Mitchell w many panies infirm the mide system 🕼 rotten, wasteful 📠 inefficient. The solution, he says, is to scrap it. He airlines m introduce special for their corporate customers that would carry no

Stripped lim of all the costs. Ihms so-called Since with perton involced much cheaper than today's. They will the in simpler is understand because they strictly mileage

In new, perk-free era, companies and will use travel agents in main their travel arrangements. In the agents would no longer man airlines: instead, they

would be paid

for their

vices by their

corporate cus-

Mr Mitchell's

Euliumi Tra-

vel Contrac-

tors, which is

Mr Mitchell says it will cut total corporate travel costs by a minimum of 20 per cent

in King ■ of Prussia, money by representing compain the negotiations

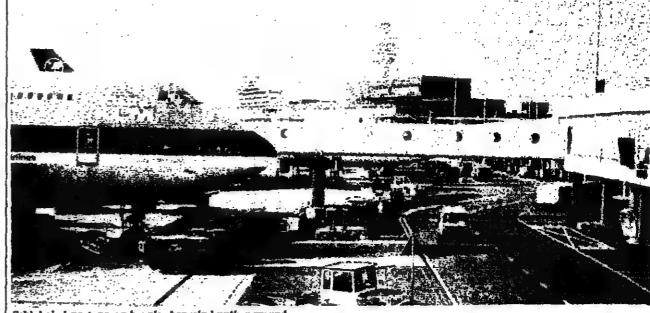
mill in airlines. It tempting to make Mr as idealist. III Dings vice-president of conference and travel ment E Cigna, one of the bigknows what he is talking about. Significantly, he has commissions, no ovarrides, no already signed 17 III frequent-flyer points, and no companies fund the develop-

Cigna, L' Atlantic, and Decker, Chrysler, Colgate-Pal-molive, General Motors, Gillette, Merck, Whirlpool

Will we fiv? W Mitchell corporate travel ment by minimum of cent, so companies likely in support it. In travel because a fee-based system could them a more secure flow of income than commis sions, with un vulnerable to downward present on Mr

The biggest research seems likely to the airlines, which like to think incentives In a cost-effective way of putting leads by Earlier Se year, International Machines, the computer failed in attempt persuade :-US airlines to eliminate frequent-flyer points in IBM employees in mum for lower

BAR Mr Billiabil Comme Che airlines are secretly desperate III treadmill of an ever-rising volume of overrides irequent-flyer awards. As he has 40 him, he plans to test that theory by making III airlines offer they can - but possibly won't - mid-



Dutch treat for the tightwad

Alan Shaw reports as Schiphol remuves upper limit un tax-free sales

If you cannot resist that wide-screen maltifinistica bilerielto ini ili a fizrepean airport as the shop, your breed problem are is how a fill it at the locker. The old question of her sauntering through 🖦 blue channel all no longer applies,

thanks in increasing competition.

Schiphol airport in American has just removed the par limit on but have for passengers in the other European Union the Schiphol retailers many pay the Time added the sales allow beattle the sourcest limit on tall tree

purchases for him ill journeys. Until July 1, Schiphol gers' purchases to Fl 250 - In Butch equivalent - per trip. That limit now abandoned, in part limited

of competition from man airports. The freeh initiative metales a sheller by BAA, W UK airport operator. HAA has paid the tax on purchases the single market came into force, but it is and meline a kindley profile for its min Burner deploying credit with too freely,

travellers should remember: The change applies only we have purchases - duty-free columnial alcohol and perfume illimited are unchanged. Your tax is paid only if you are flying
 EU. If your destination is elsewhere, you remain for a spoly. For regularly carried like laptop computers, it worth retaining receipts prove provenance. Since some high-ticket sales are now being subsidised, It was the way the assumption free" prices are necessarily



THE AMERICAN EXPRESS

have eaten something weird,

can you help me find an English speaking doctor "SERVICES.



t 8 o'clock Friday evening conductor Andrew

his baton, the BBC Sym-

phony Orchestra will take a breath and in richly romantic music of Schoenberg's

Gurrefieder will fill the Royal Albert

and all concerned can relax into the

The Prom season, like Wimble-

familiarity of a Great British Insti-

complain that there is not enough

contemporary music, meaning their

instruments have their gripes ("tonight's concert can be heard on

Radio 3," shouted waggish Prome-

naders last year when a Bach harp-

sichord concerto blatantly failed to

carry); there are the odd criticisms

about the venue, about the timing

of certain concerts, about the absence of great international solo-

But the Proms' status as the big-

gest music festival in the world, and

perhaps most successful, secure. Even the HBC, with its current nit-picking self-appraisal,

seems to have accepted the inevita-ble and left the Proms alone. There

was talk of the Proms raising £2m from a sponsor to prevent a 10 per cent cut in the funding of the BBC

orchestras but the search was fitful

and when John Birt took over as

director-general he abandoned the

The Proms confer prestige; they offer wonderful entertainment

opportunities for BBC apparatchiks;

they allow the BBC, through

commissions for www music, w pose

as modern Medicl; they mu

impressively popular. www audiences of 84 per cent of capacity last year; and they provide hundreds of hours of cheap, quality broadcast-

The director, John Drummond, is

very much the showman who loves

the sound of the turnstiles. "Every-thing I buy in I pay for through the box office or from advertising. In

eight seasons I've always been in the black. About \$2.5m covers all

the foreign orchestras and guest

artists". By taking advantage of the

sponsored overseas tours by foreign

orchestras he reckons he gets them

at bargain prices: 11 are appearing

this year, ranging from the Berlin

Philharmonic to the Los Angeles

"I am not in the market for pay-

ing fortunes to tenors, large ladies,

or even conductors. Last year a

major singer asked for a grotesque

fee. We negotiated it down but she

wanted an affidavit signed in front

of a Justice of the Peace that we

had never paid anyone more. It was ridiculous. We recruited instead a

young English singer at a tenth of

and helped along her

But at almost half the 68 concerts

this Prom musicians performing are on the payroll of the BBC and here the costings become

trickier. Even no according to Drummond, the Proms are half the

Middlemarch". Manual

Kenyon. - In - Drummond

Philharmonic.

Career".

A TIMES MORE

Me are then specially to the control of

tightwad

mit on an one said

The state of the second

Aug the one of the property.

February Community (1986)

ASTORIA .

Few singers make sulfrin' music so sweet as tause balladeer Bebby Siend, who plays the London Astoria on Tuesday. One of the original soul stylists, Bland's meliour vacate on a string of '60s hits shaped the sound of the new generation of soul singers." He is accompanied on this rare visit by fitteld R&B belief imm Thomas - she of "You can have my husband, but don't mess with my man," fame.

The western Swise alpine resort of Verbler is the unlikely vehue for a new festival, linked to a summer academy for talented young. instrumentalists. The opening concert tomorrow is given by Autor Menta and the Young Israel.

Philharmonic, which will serve as the festival's resident orchestra: Over the next two weeks, some of the world's busiest soloists will make their way to Verbler to enjoy the mountain air. Share their experience in masterclasses and give

SAVOY THEATRE

ARTS

The 1963 musical "She Loves Me" is about little things staff squabbles in # 1930s. Budepest parfumerie and two correspondents in a Lonely Hearts Club - but it is not a little musical. Written by the team that wrote "Fiddlet on the Roof" (Jerry Bock, music; Sheldon Hernick, lyrics), it has been enjoying a triumphant Groadway revival since last year. "She Loves Me" opens in London on Toesday at the Savoy. Scott Ellis, director of the current Broadway staging, directs this one too; the cast is led by John



LOS ANGELES The Dodger Stadium is the venue of the Three Tenors' first concert together in the US. Jose Carreras, Placido Domingo and Luciano Pavarotti wili perform on Saturday in a stadium transormed for the night into a neo-classical amphitheatre complete

with commons, waterinks and exotic flora. The concert; in association with World Cup USA 1994, is staged on the eve of the soccer final, which will be held at the



Fanfare for tradition

As the 100th season of Henry Wood Promenade Concerts gets underway, Antony Thorncroft talks to departing director John Drummond



Fans of Hope and Glory at the Last Night of the Proms: "Three quarters of an hour of people being a bit silly after 68 concerts is OK by me'

a traditionalist, has added much to

the institution - Sunday Proms late

night Proms, early evening Proms.

Proms in churches, ethnic Proms,

lazz Proma, aven one ill full

attempt II a Show Tune Prom with Maria Ewing. Experience has taught him that the audience for

opera is not a Prom audience - the

first London production in decades

of Ethel Smyth's The Wreckers at

the July II Prom is not selling well;

that the audience for contemporary

music is totally committed but

small, no more than 2,000 strong, which means that the Albert Hall

would be less than half full; that

as controller of Radio 3 and who, in 1996, also takes over as director of the Proms, says the actual size of the BBC subsidy is around 23m a year. "We've quantified what we get from the Proms and are happy with

it", says Kenyon. John Drummond, a big man in every sense of the word, has protected his flefdom well. Not one for committee meetings, he has been around the musical world, and the BBC, for decades. He seems to have been allowed a long leash as he approaches retirement after the 1995 season, enjoying what has been described as "wilful isolation" inside the BBC. It says much for the reputation of the Proms that even the slide-rule toting Birtian BBC

can still embrace, however tempo-Sunday was and difficult to rarily, this maverick talent. shift - want one night Drummond, though perceived as

Drummond has miles the music, so favoured on Illi rival South Bank, and he regularly will evenings if film while and flamenco. His attempts to bring over jazz like the Person and Kila Fitzgerald failed the failed demands is jazz promoters. "They want all the bas office of I'd never give that to anyone". He li happy have dropped allbor a Sullivan the programme; to the apparent British Internation Haydn. He is greatest achievements as the opening up of the Proms to foreign orchestras and

the introduction of Sunday certs, even if they have to be carefully programmed to persuade the weekday audiences to turn up once

Sir Henry Ward pure his final Prom in 1888, so this year marks the 100th season and next year the centenary. Drummond is seizing on the chance to make me last two seasons celebratory events: nostalgic and backward-looking season and minimum and forward-looking in 1995. The fact that the raft of BBC commissions of new music in I'm from Berio, Birtwistle, Reich, Williamson, Weir and many more leading composers, might lead to II missing their 75 per cent break-even target and Kenyon facing a nasty delicit, is a small price to pay for such

Certainly 1994 has a chord Promenaders, especially the fanatical 550 who buy a season ticket to stand in the arena, at bargain price of £120, for 68 perforhances. like next Saturday's, a repeat of a 1900 repeat of a 1900 repeat lads, in tribute to Sir Henry Wood, in Malcolm Sargent, William Glock other great Prom personalities, him helped push advance bookings 5 per am higher than

Wagner night, night, and the performance all Beethoven symphonies, revived and performers, like violinist lie Haenber Fran 1841 in playing again. Music land heard at Proms, like Schoenberg's "Five Orchestral Herm' and Vaughan William's Fifth Symphony, will 68 lovingly respected.

There is one Proms institution that John Drummond has left alone - the Last Night. His predecessor, Robert Ponsonby, tried to douse the high spirits by programming more serious music. Drummond has gone along with the exuberant promenaders. "Three quarters of an hour of people being a bit silly after 68 concerts is OK by me." He has even protected the Last Night from more populist attack. "I know that Shirley Bassey always wanted to there, but won't in my

In Kenyon's time, perhaps, when might. Though Drummond's successor-in-waiting espouses "continuity, not revolution," change will be inevitable. There may well be more mini festivals, more themes, weaving through seasons. Kenyon, as a channel controller with budgets to meet, may at least look again at the idea of attracting outside, commercial, money to the Proms. Last week's white paper giving the BBC a fairly clean bill of health has mental of the pressure in change, in commersponsorship on the

Last too, the BBC Symthe major workhorse at Proms with 15 concerts this year, announced its first ever sponsorship deal, a 2300,000, three cash liftime from Land Rover. Kenyon might see opportuni-in reducing Ma hold of management tral music over III Proms. # might also think that rock, the great art form of the 20th century, could be comfortably embraced as the 21st century approaches. But he

still has Inveyeers in which the plan. Meanwhile, Drummond is ing on the job in hand and is uncharacteristically about life after the Proms. He has done the big jobs - running the Edin-burgh Festival as well as Radio 3, but missed out on others - like the Royal Opera House. At 60 he seems happy to take things easy, perhaps undertaking a few consultancies. But he the bear be knows exactly where he will be - in his box at the Royal Albert Hall. He never misses Prom.

Opera Nightingale and the

Rose

osthumously, Oscar William any number of Elena Firsova's new one-act piece, which opened the Almeida Opera on Friday, is at is the fourth treatment of The Nightingale and the Rose. You could read story along several times in the story minutes Firsova Name & tell it; but her intricate chamber-score is delicately, rapturously, expiringly romantic that we it all without complaint.

There we far he is semile the tale in make a stage action stageable. Lovelorn Student 🔤 red rose [win Girl, but there are only white well yellow ones in garden; in honour of love, a Nightingale against t and sings III heart until II dies, plerced by a thorn, and turns red; Hullering chucked by Girl anyway, and take up metaphysics.

halland of inventing talks episodes, Firsova IIII The III III the parable 👊 🗷 chain 🕍 "lyric scenos". in intimate, poignant focus. A grave bling w (III and fauna) and assists; the Nightingale high soprano, of course - borrows three leads from Line Roswill for her achingly protracted swan-song. Firsova's chamber-enof and winds wrought with wrought celesta and marimbas, deep-shuddering drums and gongs. There is passionate discourse from an unorthodox string quartet, with a strong and perfectly 📦 whiff 🕍 Szyma Mineral Almeida ble was by David Parry.)

impersonating of tend look silly, a much like primary in a the director Caroline Illian and her designer Julian McGowan take the slightly comic. Gawn has found 🖿 convincing to the problem representing the thorny avian with an ample soprano and her green-faced cohorts, but I doubt is one. Instead, with Carol Smith's exquisite singing as the Nightingale - clear, sweet, elegant, phrase completely is problem simply melts away.

Hallawell's upmarket Girl is a describe cartoon. As for Student, The Student the ultimate gangly, preenswot, starry-eyed and citi duction, and as sensitively sung as he in funny ("farfelu", Ilm French would say). This young tenor 🖿 full of curious promise. Further performances tonight

David Murray



BERLIN

Staatsoper unter den Linden The season ends with the Nureyev production of Glazunov's ballet Raymonda tonight and Wed, and Il barbiere di Siviglia tomorrow with Jennifer Larmore and Dmitri Hvorostovsky (200 4762/2035 4494) Schiller Theater Crazy for You, the musical based on Gershwin's Girl Crazy, runs daily except Mon till July 31 (2548 9241)

COLOGNE

Philharmonie The Gershwin musical My One and Only opens tomorrow and runs daily except Mon till July 24. Alvin Ailey American Dance Theater is in residence from July 26 to Aug 7 (0221-2801)

■ GENEVA

114

4 3 ...

The city of Geneva organises a series of concerts throughout the summer, some of them free open-air events. The international music series at Théâtre includes a Caribbean evening on Wed, a Malian

song and dance evening on Fri and Latin American jazz star Arturo Sandoval on July 22. The jazz series at Cour de l'Hôtel de Ville opens tonight with the French duo Martial Solal and Didier Lockwood, followed next week by American plantst Hank Jones. Also at Cour de l'Hôtel de Ville, Geneva Chamber Opera presents Grétry's Zémire et Azore tomorrow, Wed, Fri and Sat, in a production conducted by Adrian Stern and directed by Sarah Ventura. The next classical music event features the Nash Ensemble on July 20 (022-786 5545/022-312

■ FRANKFURT

Oper New York Harlem Theatre presents Gershwin's opera Porgy and Bess daily except Tues till July 29 (069-236061)

■ HAMBURG

 Maximilian Schell stars as Professor Higgins in My Fair Lady at the Deutsches Schauspielhaus, daily III Aug 7 (040-248713) Katharina Thaibach's production of Brecht's The Threepenny Opera, with music by Kurt Weill, opens on Sat at Thalia Theater and runs till July 30 (040-322666)

■ MUNICH

Staatsoper Tonight: La forza del destino with Sharon Sweet, Peter Dvorsky and Vladimir Chemov. Tomorrow: John Neumeier's ballet A Midsummer Night's Dream. Wed, Sat: Gerd Albrecht conducts Thomas Langhoff's production 🔳 La Damnation de Faust, with

Thomas Moser and Olos Borodins. Thurs: Zubin Mehta David Alden's new production of l'annhäuser, with René Kollo, Nadine Secunde and Water Meler. Frt: Un ballo in maschera with Dennis O'Neill and Julia Varady. Sun: Giulio Cesare with Ann Murray. The Munich Opera Festival continues till July 31, and includes performances at the Mayer's new opera Sansibar (089-221316) Gastelg Tonight: Zubin Mehta conducts Munich Philharmonic Orchestra in works by Mozart, with violin soloist David Garrett. Tomorrow: Jazz, meets the Symphony, with Lalo Schifrin, Ray Brown and the Munich Radio Orchestra, Wed: Oscar Peterson Trio. Sat and Sun: Orlando di Lasso festival. July 19, 20, 21, 22: Lorin Mazzel conducts Mahler's Second Symphony (089-4809 8614)

■ NEW YORK

THEATRE • Three Tall Women: a moving. poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St. 239 6200)

 Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millennium Approaches, part two Perestrolika, played on separate

evenings (Walter Kerr, 219 West 48th St, 239 6200) Four Dogs and a Bone: John Patrick Shanley's satiric cornedy

about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924 8782) Laughter on the 23rd Ploor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts.

Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100) ● The Sisters Rosensweig: Wendy Wasserstein's most successful play to date, a comedy with serious

undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches

Rodgers and Hammerstein towards

the 21st century (Vivian Beaumont, Lincoln Center, 239 6200) Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239

 Crazy for Your the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy entertainment Susan Stroman's choreography (Shubert, 225 West 44th St, 239)

Damn Yankees: the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as Lola. The director, Jack O'Brien, imm extensively manifest the story, which is about a baseball and sells in soul la reconhis favourite team from a losing season (Marquis, Broadway 🗷 💵 St, 307 4100)

DANCE/MUSIC

Avery Fisher Hall The Lincoln Center's Mostly Mozart Festival runs daily except Sun till Aug 20. The Juliard String Quartet, with planist Rosalyn Tureck, gives tonight's all-Bach Tomorrow Wed: General Schwarz missing and by first and Mozart, with Jean-Pierre Rampal and Yelim Bronfman, Thurs: Joshua Rifkin conducts Bach's B minor Mass. Fri and Sat: Schwarz conducts choral works by Mozart and Handel (875 5030)

Metropolitan Opera The Royal Ballet is in residence this week with Anthony Dowell's production of The Sleeping Beauty, Kenneth MacMillan's Mayerling and a mixed bill including Ashton's Month in the Country (362 6000)

PARIS

Paris Opera Ballet presents the Nureyev production of La Bayadère on Wed, Fri and Sun at the Bastille (4473 1300) Carmen runs at the Bastille till July 23, with changing casts headed

by Marta Senn/Kathryn Harries/ Beatrice Uria-Monzon in 🎫 title role. Jose-Luis Gomez's staging in conducted by Serge Baudo/Cyril Diederlch. This performances are tonight, tomorrow, Thurs and

Sat (4473 1300) American jazz singer Spanky West in many next two weeks at Lionel Hampton Jazz Gus. Music from 10.30pm to 2am, daily except Sun and Mon Etoile, III Boulevard St Cyr,

4068 3042) VIENNA

The Roman ruln in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's summer productions Le nozze di Figaro runs daily except and and till July 30. Don Giovanni follows from August 9 to 27 (513 0851)

Klangbogen, Vienna's summer concert series, runs till the end of August at various venues throughout the city. Kathleen Battle gives song recital tomorrow at Konzerthaus. The Vienna Chamber Philharmonic has a Thursday series at Markadenhof, featuring Mozart arias with various soloists. Matthius Janz conducts Brahms' German Requiem IIII Fri III the Augustinerkirche. Martin Haseiböck the Wiener original instrument Haydn's The Creation on Sat and Sun at Akademie der Wissenschaften (4000 8410)

Vienna's jazz festival winds up this week with The Lounge Lizards and John Lurie tonight. ™ Jarreau Carleen Anderson and Band on Thurs and a mixed bill on Fri. Venues: Staatsoper and Museumsquartier (4000

AUT GUIDE Monday: Performing guide city by city.
Tuesday: Performing guide city by city.
Wednesday: Festivals guide.
Thursday: guide.
Exhibitions Guide.

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NBC/Super Channel: FT Reports 1230

FRIDAY NBC/Super Channel: FT Reports 1 Sky News: FT Reports 0230.

SUNDAY NBC/Super Channel: FT Reports 2230

Sicy News: FT Reports

Why vegetarians will inherit the earth

7 ithin peomeat 🔳 drink alcohol will be ostracised. At social gatherings they will indulge in these unhealthy — barbarous — habits only after seeking the express permission of their disdainful companions. The vegetarian, majority will have enacted laws to regulate II dangerous and will be 💻 cially vigilant in protecting the young. Studies | MII have shown that most carnivores up their bad habit in childhood, before they appreciate the force a arguments against meat.

You may Irela this a ridiculous fantasy. Yet who would have dreamt that US public could shift decisively against cigarettes? For much of this century smoking not merely socially acceptable: it was expected ill anybody with pre-tensions to sophistication. Movie stars and models So did political ers and financiers. It rigueur le Habesah be many writers, with musirefused a cigmette in the cure!

Yet today maken in the US a furtive, pitied minority, found huddled near the claims of buildings they Smoking of apologetic old-timers who lack the grit in the life half. It already in military workplaces, in most public places, in aircraft and in many restaurants. It will probably soon is substant in all workplaces - except in designated rooms with indepenventilation. now suing tobacco companies to the vast -~ in treating smoking-related illnesses such lung cancer and heart

The regulatory crackdown changed public attitudes. People have turned against digarettes because they are more health conscious than in the and they more aware of Williams risks. The strength of global anti-smoking movement depends largely on living



AMERICA

tion. surprisingly, the US vanguard, followed by Europe; only in the developing world and herast ominated marking un cigarellate still seen to this or

Opinion likely to turn against and alcohol for similar reasons. The medical case against | damning. A study in the British Medical Journal indicated Tel vegetarians 40 per likely than This followed humerous previous linking mest consumption other chronic Far ease in the US and Europe than in Adam countries, beans, grains fish form the staple The nemen afort is obvious is any hamburger junkie: (especially beef) choles-

Self-preservation probably strongest reason for the doning meat; has it a supported by allala and minima mental arguments that SYNGpathetic hearing in coming

As moral beings, how can we defend the unnecessary slaughter of millions of animals, especially when eating their dead flesh can cause disease in us? The basis of morality is compassion or the desire to prevent suffering. Since it is hard to deny that cattle, pigs and lambs have a capacity to suffer, we are necessarily acting unethically when we eat them. Moreover, if the land now used for grazing were turned over to cereal, beans and vegetables. we could feed millions of starving people in the third reducing damage to an envi-

Alcohol may have more staying power than meat, because humans throughout history have sought an escape from reality. Many moderate drinkers will argue that a glass of wine or beer is positively good for their health. Perhaps. But a heavy price is paid for the social acceptability of this dangerous drug. Because alcohol is addictive, many people are not able to control their consumption. As they get older, they tend to drink more heavily, despite their reduced ability to absorb the drug. A surprising number of moderate drinkers thus end up as semi-alcoholics; the human cost in wrecked

and premature de or disablement 🔳 high. The state of the desired in the US alcohol is one of the leading causes of death, after heart disease and cancer (to which it contributes). Cirrhosis M Ind liver alone claims more than 26,000 lives m year. Some 50 per cent of fatal car crashes are alcohol Drinking is known to many many probwife-hattering in the home. Conservative estimin Lettali die purely economic costs of alcohol abuse in work days lost, premature deaths and medical expenses -

marriages

Lest there be any confusion, I support of kind, except it (such workplace) ____ smoking ___ protect parties. i un enough el 🛮 libertarian 🗤 🗠 👊 pleasure as they see fit, at the risk of killing them-

exceed \$100bn a year in the

list up I is limited if heir shirts or puritanical philosophies | life. Public opinion turned against cigarettes balance, they in rather than increase in of human happiness. This is the spirit in atte nue pentions will reject and alcohol. And, in case curious, it is the spirit in which I have been by but

IS INTERNATIONAL

INVESTMENT

he UK's housing asso-ciations, which build low-cost homes largely for rent, may largely for rent, may have their in medieval the Victorian philanthropists who provided working during industrial revolution. Int in worl years, they have been quietly transforming

ers in the UK housing market. The largest now own and of thousands of lotter with web mire national of milpounds. To fund their expanding research they seeking ever-increasing DESCRIPTION OF TRANSPORTER AND PERSON become among the most active

him when I had leading play-

issuers of sterling bonds. Today, the search for new sources of finance moves overseas. The Housing Corporation the organisation that distribgovernment grants to associations, is holding a semi-nar in Frankfurt to persuade German banks to invest in UK social housing.

If the corporation is success ful, housing associations could be the first UK organisations funds through issue of Pfandbriefe. uniquely General back can by imple to linear mortgages

municipal loans. The seminar is targeted at Germany's mortgage which 60 cent
Germany. long-term. the property and the property by the issuing and loss in normally said to 60 per cent of the value of property.

Germany's tough regulatory regime in the issuing of Pfandiben 20 SilbidEs alabai 1900. The yields on what has proved to be a mean top of investmargin over Commen Treasury and his offer a low-cost of finance.

The lands been allowed ınder German law III issue Private in other European currencies in the DM since uni, Earlier that year, the Ger-Mortgage Bank Associafind opportunities W issue sterling Parallel in the UK. Anthony Mayer, chief execuilve of the Housing Corporation, today that housing associations - of which in a no equivalent in Germany - 📭 just such an poortunity.

Housing associations certainly prove attractive III the German says Mr Frank Kennedy of S G Warburg Securities, securities

Foreign cash for bricks and mortar

UK housing associations are today trying to woo German bankers. John Willman explains why

house. "Associations are closely regulated by the Hous-ing Corporation and no lender less money lending on a basis to registered housing association.

The Housing Corporation icins that Direct Control forthe invate in a balled scotter funding for housing associato raise the sort of long-term finance appropriate for residen-tial property. There is a synergy between the large associations are seeking and those when by Pfandbriefe. Mr Mayer.

Associations are already Inc. large name of private finance is supplement governgrants for building homes for rent. the I'm Housing Act permitted private funding, than was building raised from banks, building societies and institutions.

The Corporation expects. bowever, and reaches will in raise even larger the government reducing the amount of grant min later in M £1.5bn in WWW. British Int 22 Martin ETbn iii private limes will in the me four fulfil their plans in building new homes and funding the transfer of local authority him III associa-

The increasing importance private finance in mail housing led to im appointment of Thin Pearse, former chief executive of Midney I are chalman of the Corporation earlier for year. I'm predeces-sor was it Christopher I'm son, property developer. Bringing in a backer nilesco the send to open in the housmarkets.

Sir Ina is keen la male housing association's investor base, which is curest UV fundal institutions. "I hope iii persuade investors in my housing associations as

big sig-

ully of the

They employ 50,000 people and indirectly arm of thousands more in construction. I are excluded that they offer attractive lending opportuni-1 as and as and

To a broadening of their investor is already happening. 1988, associations have raised from a lengthening of lenders, with if less yet account for sandanial some The Corporation has joined with the Chartered institute of Banking, which offers training in bankers, in run short courses an lending in housing associations increase famil iarity with III sector.

Associations have entered the sterling debenture market in a big way. ation 🖿 have issued stock in own name, postponed

"The markets became clogged." Mr Charles of Hambros. "loves. became worried that there'd be an make free

Although Peabody Hambros got their issues away earlier this year, it is that the appetite for further hous. ing association per in IL debenture market is limited.

alternative way at raising capital from investors would to give them an equity in social housing Chaco Investments, a subsidiary of TR Property Investment Trust. 🔚 already raised 📟 than im for housing associations by offering a data in the freehold of their meaning with an indexed return linked

to rental income. returns available from housing associations," Mr Leon and capital growth potential offering returns 🖃 🏴 35 anything institutions can w into M the moment."

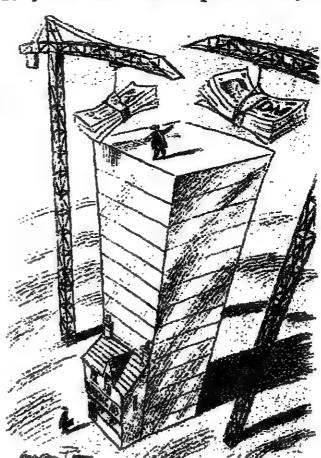
might help housing raise money moves ings. Markets has just a triple-A issue an insured Guaranteed Enhanced Secured Bond, buy mil istock after arring flopped in November. The street of the issue is

very good news 📑 housing associations," has brought down im margin over gilts by a half, making it much cheaper That more than enough it cover it in of credit rating,"

If credit-rating

financially strong associations much wider investor base, in the UK and abroad.

Today, however, attention of housing in the land way of attracting investors into social housing. The success of the Frankfurt meeting may take some time to become clear, given that it would represent a big step into unknown territory German banks. demand housing bomes showing sign of abating tapping into lin global markets be the only that they can hope



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not written.

No cheer

In Steven R Sir, Anyone with knowledge of events surrounding the colapse of US savings loan will limb askance at in proposal to expand building societies' lending powers to include business loans and loans not secured on land ("Building societies given chance to widen services", July

windfall for my profession: however, I rather fear for my deposits. Steven R Beharrell,

Caudert Brothers, 20 Old Bailey, London EC4

Withdrawn

From E Coussins. sidy: if a profit margin can be Sir, Your halfes to come the outcome of the Leeds industrial by ("Race body of bias", July " mistaken impression the serious allegations about mubias has been at the commission

were well handed. The fact is that the commission's reputation is totally the complaints concerned Im unreservedly withdrawn her accusations. Jean Coussins.

acting executive director. Commission for Racial Equality, 10-12 Allington Street. London SW1E SEH

Credit plan will push pay down

association is issued, they

the of this has been rolled

through group, at "club"

ciations together to share

costs. There also give were

security & investors, who

often find II hard in many

credit-worthiness.

housing associations had

look elsewhere. The markets

began in choke on

paper lawrence the seel of her

year. Markets, Markets,

investment banking arm

NatWest bank,

much of a live issue in

November. Soon after,

Hambros delayed a planned

medium-sized housing

associations and Peabody

Trust, the only housing

it is becoming the last

could be the market.

guaranteed because From Mr Chris Pond. working for state-subsidised Sir, John Willman highlights the increasing trend towards what been in the to take white ar invest in trainthe use of Family Credit to top ing or least techniques of production? The overall efficiency up incomes in those willing to accept low-paid employment ("Search for a war to stay affoat", July 31 The Treasury and competitiveness of the company is likely to suffer. is considering spending to extend the currently Family Credit may be a lifeline 📖 many families trying 🥾 payable only in finite with nale sets seed on a low

benefit dependency, placing them firmly in II and of povin the man would tend to erty trap which Chris Tighe than this own time. Employers who from in Il accompanying article ("Life at the sharp link level levend"). I dor land reduced) lit entitlement declines, leaving little better off, and els and its not tresser of many of their and had been broken would have every incentive to make pur still further, leaving the taxpayer to pick up the bill. Many compa-already Family Trans with little incentive to earn as an explicit government sub-

through their in his speech to Tuesday's

Train Union Congress

Industry director general.

Davies, warned that

"the rapid growth in earning dispersion emerging social and economic problem than eyet appreciated by most politicians". The encouragement of low-paid employment through an extension of Family Credit will serve only to increase that but it have their problem. Why a policy of state subsidies to companies, which benefit dependency and the burden on the taxwhile depriving entires of the workforce manufic insenting should appeal in a government com-mitted in free-market economremains a puzzle. Pond,

ence, British

director. Low Pay Unit. 27/29 Street, ECIR 1UN

Political rush poses petrol pollution problem

Sir, You report that III German environment minister is considering reduce the level of lease in petrols ("Bonn Binal ens action on petrol pollutant", July 7). Person is a minute human carcinogen and land in lair European This is a direct result of the

children, 🛍 single people ami

ing use petrol,

tent, in cars - I equipped with catalytic - conremoving lead petrol, missing numbers community replaced by increasing arothe petrol, highest aromatic con-tent being allegsuper-unleaded.

It is in hoped that Mr Klaus Topier fully that I is not merely the benimportant but the aromatic as all

aromatics can be converted to benzene in the engine and are emitted to atmosphere if there is no catalyst fitted. It is unfortunate that in the political rush to remove lead

from petrol we have removed a perceived problem and replaced it by several far more sinister threats to health and D A Gidlow, company medical officer, Associated Octel

Brazil's monetary move connected with presidential campaign

L Bernstein. Sir, M mentioned your article, "Brazil expected to limit issue of new currency (June 28), the central bank's strict control I the "real", country's new money which

came into _____ on July 1, the government hopes will prevent creeping new currency". But, perhaps more importantly, Brazil's monetary policy must la least la part, a political move intended in spark 🔤 lifeless campaign 🖫 candidate, Fern-Henrique Cardoso.

This is not I'm time Brazil's leaders have politicised economic policy. In February 1986. Ivaliani Jose Sarney introduced IIII Cruzado Plan

with a peremptory price freeze. Although inflation dropped from 124 per cent 12 -0.9 per cent, after Sarney's party of 23 governorships in November elections, in freeze was smartly lifted. It surpris-ingly, inflation sky-rocketed in 7.6 December.

In Brazil's newlyelected president. Fernando Collor Mello, until the day after his inauguration present Draconian anti-inflationary plan that country a a brutal recession. Now, with leftist Workers

Party's presidential candidate. Luis Inacio Lula da Silva, threatening M distodge Mruling Brazilian Social Democratic Party, de current president, Itamar Franco,

tion should fall because the government & essentially making a transfer of to print additional reals in pay is bills. But Franco already

his way in the the convertability of real. If he last decided otherwise, Brazilians might have rushed to buy dollars in Will potentially victorious Lula halting payments in himself debt. The would be exchange crisis in than that III the end II III Cruzado plan. "Ill Cardoso's defeat being a foregone conclusion.

The problem with Franco's new currency strategy strategy so much its and as itimdiscovered compelling manner | ing. By introducing the plan

to be the would be pegged in the dollar at 1:1. By fixing be exchange rate, inflation will help defeat lower inflation will help defeat Lula at the polis in October. If Franco is wrong, however, and has public spending to pay in the special interests which traditionally have dominated Brazilian 👑 toral politics, inevitably inflation will re-emerge. Renewed inflation would not only kill presidential ____ tions, but also demonstrate again in its world financial community that Brazil's economy is more often than not merely a political tool for its rulers to manipulate. L Bernstein, research associate, Council on Hemispheric Affairs, 724 9th Street NW.

ALL GREEK TO YOU? it needn't be. With a wealth of editorial in every issue, it's the essential guide to the world of finance. And because Financial Times Magazines publish a monthly magazine The international is published by the Financial Times specially written for the investor with global perspective. its pediaree is impeccable. We recognise the need for impartial investment advice written by people who understand every aspect of overseas. Already thousands of shrewd subscribers have realised The International's other great benefit: IT'S ABSOLUTELY FREE FOR ONE YEAR. It's called The International. To join them complete the And you don't have to be an economist to understand it. subscription limit FINANCIAL TIMES Please return to Kevin Phillips, The International, Graystoke Place, Fetter Lane, London EC4A 1ND, UK 3 35-44 4 45-54 5 55-64 6 65+ 7ppae of lance 1 Domestic Equities 7 Unit Truste/Mutual Fund (Oil,minerals, etc.) 7 Manufacturino/Fr Se None Nick of the folia 1 Credit Card (e.g. Visu) 3 Charge Card (e.g. Arrent)



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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday July 11 1994

Time for a defence review

This week, amid the familiar involvement in Bosnia, for example, which has highlighted some job losses, the government will basic vulnerabilities as well as present what in first will will look like welcome news. In unveiling new round of defence cuts it will claim, in effect, that Britain's armed forces are to carry on doing the same |51 | greatly reduced cost to the taxpayer. If this strategy were sustainable, it would indeed be welcome. Yet it is becoming increasingly clear that it is not that in being asked to pursue a fixed set of tasks in ever more economical ways, the forces are being stretched too thin. In the process, the fundamental ques-tion - whether straitened circumstances dictate reordered priorities - is left unanswered.

After this week's cuts, the forces will still is shouldering three "defence roles": 🖿 protect Britain and dependent territories; 🗈 insure against The Third or its allies; and to help maintain international peace and stability. Although the government discloses the number of forces nominally assigned to each role, it has never explained in detail what it understands by these tasks

The government has its reasons for shying away from a full-blown defence review. One is that it dare not further alienate constituents by adding the insult of a confusing new philosophy the injury of reduced military spending. Another is the unpredictability subject. Nobody forecast how long, and on what scale, the US will be prepared to commit money and men to the defence of Europe. Nobody can tell where Russia's new assertiveness in Europe will lead; which extremist regime will be the next to acquire ballistic missiles or weapons of mass destruction.

Respond flexibly

Yet this very uncertainty should be a spur to think harder about how Britain can, within the limits of its budget, enhance its capacity to respond flexibly and rapidly to potential threats. The geopolitical challenges faced by France and Germany are no less complex than those confronting Britain; yet both . those countries have published wide-ranging white papers on

defence this year. Britain eschews such a theoreti-

strengths. Although the UK contingent has played a crucial role in saving Bosnian lives and - so far - in preventing the conflict from spreading, deployment has stretched Britain's forces u the limit. In some new international crisis requiring ilm des patch in multinational peace-keeping force, it seems unlikely that Britain would

Searching questions That is one important reason why the government needs now to undertake a fundamental review

of defence policy. Such a review should be completed before 1996, when the European Union is due to consider common security poli-cies as part of its next inter-gov-ernmental conference. And it should ask searching questions about the potential threats facing Britain and the resources available to deal with them.

How best can Britain contribute to multinational peace-keeping coalitions, and what does this imply in particular for future levels of land and sea forces? Is there scope for further cuts in the army's permanent strength in Germany, without sacrificing advantages derived from frequent training and exercising with allies? Is the cost of defending Britain's remaining dependent territories justified by any strategic advantage or overriding moral

How useful is Britain's subma-rine-based nuclear deterrent, and how does this compare with, say, the case for anti-missile defences Perhaps above all, with the US pressing Europe to develop greater self sufficiency in defence and encouraging Germany to play a leading role, which aspects of the US-UK relationship can be sus-tained indefinitely?

These are, of course, all issues of the utmost sensitivity in British politics - and the picture is complicated further by Britain's need to maintain a substantial presence in treisnd. But that is no excuse for continuing to sweep debate under the rug. In the end, such a review might make it easier, not harder, to muster politcal approach, preferring to focus ical support for the necessary on practical experience: its changes in spending priorities.

Korean iceberg starts to melt

"Whatever can he have meant by to the outside world, or will he that?," Metternich is supposed to have said on learning of the sudden death of a political rival. It is tempting to ask the same about Kim Il-sung, the founder-president of communist North Korea, so thick was the vell of secrecy with which he surrounded himself and his country, and so dramatic the timing of his final departure.

Only a month ago his intransi-gence seemed about to plunge the world into a very dangerous crisis. Repeated prevarication over the inspection of North Korea's nuclear facilities had forced the world to conclude that Mr Kim was indeed concealing a nuclear weapons programme, and had left the Clinton administration with no option but to ask the UN Security Council to impose sanctions - a move which North Korea had served notice it would treat as an

Then meeting bet mr Kim ex-President Jimmy ter produced a sudden change in atmosphere. North agreed "freeze" I activity for the duration of a new high-level meeting between US and North Korean officials - a meeting which actually in in Geneva on Friday when Mr Kim was apparently already Meanwhile, a few days after Mr Carter's visit, North and South Korea agreed on the first ever summit meeting between Mr Kim and his southern counterpart, scheduling it for July 25.

Power struggle

Were these meetings a device to gain yet more time, or was Mr Kim preparing to extract the best possible price, in economic and diplomatic concessions, for agreement to open up his country full and entri- nuclear inspection? That question is now displaced by others. Will his son Kim Jong-il be allowed the smooth inheritance of power and office which the elder Kim so elaborately prepared, or is there already a secret power struggle in progress such as followed the deaths of Statin in Moscow and Mao in Beijing? Assuming he does succeed, and goes ahead with both the Geneva talks and the Pyongyang summit, will the younger Kim use the meetings to bring about a more general opening up sigent as his father.

feel the need to prove to party and army veterans at home that he remains faithful to his father's doctrine of juche (self-reliance)? In the longer term, it is hard to believe that the post-Kim Il-sung era will not be marked by an attempt at economic reform, combined with an attempt to maintain tight political control. Both attempts will be dictated by the small ruling elite's desire to survive, with or without Kim Jong-il The question that must be tor menting them is whether such a policy mix has any hope of suc-cess in a state where till now everything has been minutely controlled, and more especially one which comprises only part of a nation, the other and larger part being successfully integrated into the global capitalist economy.

Threat to stability The division of Korea is no less

and no more desirable

than was that of Germany, and no

once North Koreans (like East Germans) acquire the freedom to vote with their feet. But reunification may well prove even more expensive, and pose a greater threat to regional and stability. The risk that the communist regime would not go quietly is much higher, and the reaction of at least one neighbouring power (China) is harder to predict. The next few years will pro-vide the South Korean leadership and the Clinton administration with a test at least as difficult as that faced, and passed, by Helmut Kohl and George Bush in 1990. But in the short term neither South Korea nor the wider international community has any real choice but to wait and see what mysterious processes of North Korean politics produce. As much as possible should **W** done **W** encourage Kim Il-sung's successors to put benign and imaginative interpretation on the enigmatic diplomacy of his last weeks. That means continuing III refine the carrots and sticks wielded in recent weeks - offering the prospect of increased trade and investment to encourage compliance and reform, but maintaining the threat of further isolation should the younger Kim prove as intran-

he sudden death 📶 North President Kim Il-sung has added a new element of instability to an already tense situation on the Korean peninsula caused by the dispute over Pyongyang's suspected nuclear weapons

Mr Kim personified the North Korean government for more than four decades. Such has been his dominance that outsiders can only guess at the consequences of his

It could trigger political unrest collapse of the economically ailing North and its rapid and costly

absorption by South Korea.

Alternatively, his death may offer hope, for could be the prelude to the introduction of Chinese-style economic reforms by a young generation i technocrats who have been held back by the heavy head of Mr Kim. They want to promote special economic zones to attract foreign investment and create modern industrial facilities for North Korea. What happens will largely depend

on the fortunes of Mr Kim Jong-il, the eldest son and designated successor to the late president. Although the younger Mr Kim has an unsavoury reputation in the west (see below), many Seoul-based analysts of North Korea believe that he has encouraged and protected a cadre of pragmatic technocrats who want to promote trade and business ties with the capitalist world.

His support for reforms, they say, is based on self-preservation. Mr Kim realises that he needs to improve living standards if he is to gain support from a public suffering from food shortages, falling indus-trial production and a lack of oil and other energy resources. But Mr Kim Jong-il and the tech-

nocrats are distrusted by an older generation of party and army veterans who firmly support the doctrine of juche (self-reliance) created by his father. They fear that opening isolated North Korea to the outside world could cause political instability and undermine the authoritarian government as the public becomes exposed to capitalism and other foreign influences. Resistance to Mr Kim Jong-II is

believed to be particularly strong in the military, whose leadership is closely aligned with conservatives in the government. A younger generation of Chinese-trained officers, however, is thought to harbour ambitions of spearheading a mili-tary-backed industrialisation programme, repeating the examples of the South Korean army after its com in 1961 and the People's Liberation Army in China now.

Mr Kim is consequently vulnerable to a coup attempt, particularly since he lacks the charisma that kept his father in power. He also

Mr Kim Jong-il has a line of the Great Leader, in one regard. He enjoys an even worse press in the west than Mr Kim Il-sung.

Newspaper accounts have painted the junior Mr Kim as an unstable alcoholic, womaniser who likes to import foreign call girls, and a cheema fanatic who maintains supervises seven movie studios.

South Korean intelligence has claimed Mr Kim masterminded several North Korean terrorist actions in the 1980s, including the mid-air bombing of a Korean Airlines siriner in 1987 – aithough it has not offered convincing evidence to substantiate this

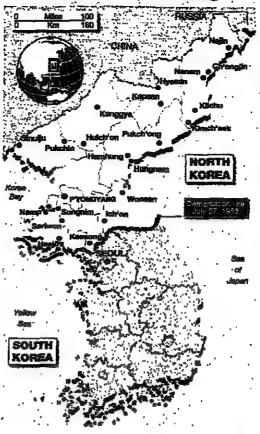
But the bad publicity does appear to contain grains of truth. Diplomats in Pyongyang report regular sightings of all-femals "cultural groups" travelling to North Korea under the patronage of Mr Kim. In the late 1980s, according to

well-substantiated accounts, his Interest in cinema prompted him to order the kidnapping of a South Korean film director and his actress wife so they could make movies for North Korea. Mr Kim cuts a strange figure, adding to his enigmatic image.

The death of President Kim Il-sung may herald far-reaching reforms in North Korea, writes John Burton hardline stance in a tactical to win the support of his conservative opponents until the gains total tree opponents until the gain tree opponent

A future in the balance

North Korea: after Kim II-sung





Economic Indicators

	1988	1990	1991	1992	1993
ed GNP growth (%)	2.0	-3.7	-5.2	-5.0	n/a
pulation (m)	21	21.4	21,8	22.2	22.8
ports (Sbn)	1.69	1.88	1.40	0.92	ri/a
porta (Sbn)	2.90	2.93	2.31	1.55	n/a
nde deficit (fibri)	1,219	1,073	0.902	0.630	n/a
eran: Economist Intelligence	Linit				

faces potential opposition from members of his family in a modern version of the intrigue that used to plague the old Korean royal courts.

The biggest challenge could come from his half-brother Mr Kim Pyong-Il, who is supported by the president's widow, Ms Kim Song-as, and possibly the late president's younger brother, Mr Kim Yong-ju. These family members are believed to have close links to the military. In the short term, however, Mr

Kim Jong-il appears to have the upper hand. His appointment as head of the state funeral committee for his father is a clear indication that he will soon take over leadership of the ruling Korean Workers' Party and possibly the less powerful position of president. Since Mr Kim Il-sung unofficially

designated him as his successor in the early 1970s, Mr Kim Jong-il has had two decades to build up organi-sational support for his leadership by placing loyalists in the party and

His control over the military, however, is more problematic, in spite of his role as commander in chief of the armed forces. One resson is that party influence over the military has been less pervasive than in other organisations.

Most analysts believe that Mr Kim Jong-il will have only two or three years to consolidate his sup-port and impose his authority over the government, party and military if he is to avoid being overthrown An early test of his influence will

be the two crucial decisions he faces in the coming

whether to pursue talks with the Us on nuclear inspections of the North's nuclear facilities; and on whether to proceed with an unprecedented summit with South Korean President Kim Young-sam.

His father decided to reopen nego-tiations with the US and start them with South Korea shortly before he died - probably with a view to gaindiplomatic and return for renouncing the North's nuclear ambitions.

The pragmatists in the government have urged such a policy to end the country's international isolation and save it from economic collapse, according to recent visitors to Pyongyang.

But there are worries that Mr Kim Jong-il, lacking his father's

he was replaced by the junior Mr

Kim. Mr Kim Yong-ju disappeared

from public view in the mid-1970s.

power. This would increase chances of confrontation with the US over the nuclear dispute and possibly of

a conflict breaking out me the Korean peninsula.

The delicate political balancing act that Mr Kim Jong-il is likely to limit the scope of any economic reforms in he may want in

introduce in the immediate future. Moreover, he appears In lack the political skills and finesse that kept his father in power for 46 years. His need to build political alliances may eventually reduce Mr Kim to a figurehead or force him to share power in a collective leadership, which would considerably under-

mine his authority. Some that even if Mr Kim succeeds in imposing his rule, he will lack in the to the to the same to the s reforms far-reaching enough to reverse the country's economic He may fear that a signifiopening up to foreign investment would begin in unravel incentralised political structure.

The (investment) being would only with the system, but fail to its fundamental flaws. They be equivalent the efforts in the 1970s to attract foreign investment, which had liminimpact," Mr Yang Sung-chul, professor of political science

Kyunghee university in Seoul.

This would be a recipe for further stagnation. If the economy continues as shrink by 5 per cent a year as it has done for the last few it could spark a pop-ular revolt it would provide a

pretext for the army to impose mill-tary rule arm ousting Mr Kim. Ironically, Mr IIIa strongest support come from North
arch-enemies, South
and US. Seoul worried that a
sudden collapse of North an eliment industrial nation, by forcing I to divert resume to the North. According some 1233bp-

£200bn) over 10 miles indicated resterday limi they might agree 🜆 ease militaire on economic lense and business tim to the Berth in lens a seril of the nuclear dispute. They suggested that the Unicould is as same, with a maintaining political stability.

Unlikely as it may seem for the

Mr Kim Jong-il saviour of North Korea, Washington and Seoul may be praying that he succeeds in achieving a smooth transfer in power. The alternative would be a political upheaval would be felt throughout north-east

Out of the shadows

He is small in stature, and pudgy, sports a bouffant hairstyle and his dress resembles

a Chinese factory manager. In sharp contrast to his charismatic father, Mr Kim rare public appearances has appeared unhappy and nervous. He is described by those who have met him as being both shy and arrogant. His lifestyle is reclusive and he avoids meeting foreign visitors. This might help explain why overseas delegations will not be allowed to attend the funeral of his father on July 17.

But North Korean defectors claim that Mr Kim is a "techno-freek" whose interests range from computers to watching foreign satellite programmes, including Cable News Network. "Kim Jong-il is well aware of what's happening in the outside world," said one analyst.

There are strong psychological and political reasons for Mr Kim's insecurity, Born in a Soviet army camp near Khabarovsk in February 1942, his childhood included "a dreary life in Siberia; his father's ill-treatment of his mother and

remarriage; and a war," according to a South Korean government

Although relations with his his youth, Mr Kim was groomed for power. He attended the ngyongdae Revolutionary Academy, an exclusive school for children of the political elits. He graduated from Kim Il-sung university with a degree in political economy and is reported to have studied briefly in the former East Germany.

publication.

He used his school ties in the traditional Korean manner to cultivate friendships with people who now hold key government and party positions and who are his chief political allies. Mr Kim was officially appointed

his father's successor in 1980, but family conflicts still pose a challenge to his role as heir. His step-mother is supporting her son and Mr Kim's step-brother, Kim Pyong-il, as a potential rival.

Another challenge could come from his uncle, Mr Kim Yong-ju, who was believed to be Mr Kim

only to reappear suddenly as a vice-president last Desails. Mr Kim Jong-il might take comfort in the official public

adulation that has enveloped him and his father. He is known as the "Dear Leader" and the country's propaganda machine has attributed him with a long list of extraordinary achievemen from overseeing vast construction projects to creating a revolutionary new form of theatre. But North Korean defectors

contend that Mr Kim has expressed profound cynicism about the cult of personality that surrounds him, even though he helped create it. Mr Kim appears to be driven by a need to prove himself and escape his father's overwhelming shadow. This may provide him with the motivation to abandon his father's juche (self-reliance) ideology and open up the country to the outside world.

John Burton



Beware of false summit

No sooner has one summit finished than another one opens. However, the irony of this week's European summit, called by Chancellor Helmut Kohl, is that the organisers don't want it to take place.

It is a cunning piece of blackmail. The German chancellor is using it to browbest his fellow heads of government into agreeing on a common candidate to be the next president of the European commission, after John Major vetoed his last proposal. If they can agree in advance, no one will have to spoil his weekend, or postpone their summer holidays. by having to sit down in Brussels for yet another tiresome session of multilingual haggling, begging the British to stop being beastly. But even if there is machance of

an early deal, everyone still has to plan for the summit. Because the Charlemagne building in Brussels, headquarters of the Council of Ministers, no longer has enough space for the mammoth closing press conference, the German government press office has had to hire the theatre over the street. It is paying to have it wired up with interpreters' cabins

and microphones. Henning Wegener, of the federal press office in Bonn, is not amused. "It is costing me DM139,000 from

my own budget," he said. "And all for a meeting nobody wants to have, and which might never take place."

Sivio's fanfare ■ Silvio Berlusconi, Italy's prime

minister and soccer club owner, has scored again. As he finished his press conference on Saturday night with the ringing declaration Treally and truly believe in the new Italian miracle", Dino Baggio scored the first of Italy's two goals against Spain in the World Cup quarter-finals.

The result swept the U/ Naples

summit off the Italian front pages yesterday and even began to look like a deliberately orchestrated triumph to deflect recent criticism of his government. Rete 4, the most pro-Berlusconi of the three television channels owned by the prime minister, obligingly split the screen for the great moment grinning Berlusconi, live from Naples, in one half; grinning Baggio, live from Boston, in the

Meals on wheels

■ After successful foreys into Britain's communications and security businesses, where else to turn - except to the bed and breakfast lark?

Securicor has plans to dish up two types of parridge; one at a

[] BAND

OBSERVER



small hotel chain, dominated by the Richmond Gate Hotel in Surrey, the other in two new prisons the company hopes to build and operate. Roger Wigg, Securicor's chief executive, reckons the company's experience in both enforced and voluntary leisure sectors admirably equips it for the new ventures. When booking a room, please ensure you get the correct establishment.

Too busy selling ■ This time Michael Heseltine. Britain's trade and industry supremo, had an excuse. When the Italian hosts at the G7 summit

called a special meeting of trade ministers on Saturday to discuss ways of freeing new areas of world. trade. Hezza was just about to set off at the head of Britain's largest ever trade mission to South Africa Once again Sarah Hogg, head of the prime minister's policy unit, stepped into the breach.

It's not the first time that Hezza has failed to show up for trade talks. He missed Marrakesh in April when the world's leading trade ministers signed off the Uruguay Round. He sent his number three, Tim Sainsbury, who is minister for industry, not trade. Indeed, Hezza's absence from the big trade policy set-piece events is starting to look increasingly odd, especially since he insists on calling himself the President of the Board of Trade.

Help wanted

■ Bob Phillis, the BBC's increasingly powerful deputy director general, has bowed to the inevitable. He is looking for a candidate to relieve him of his job as managing director of the BBC World Service which he has held since he arrived at the BBC. In addition to being John Birt's

deputy, and natural heir apparent. Phillis has just taken on the chairmanship of the newly created BBC Worldwide so he has more than enough on his plate. However, he is not letting go completely. The new World Service boss will report directly to him, rather than John

Birt. Sam Younger, the World Service's new director of broadcasting, is the internal successor.
But his promotion might seem

bit too cosy, if Phillis is really potential of one of the Beeb's most valuable hidden

Lawson minor ■ Poor old Nigel Lawson. Not only

does Britain's ex-chancellor of the exchequer look like losing his bid to get a proper job as OECD secretary general, but a comprehensive school in Gateshead wants to erase his name from the school gates. Governors of the Lord Lawson Comprehensive at Birtley, Tyne and Wear - named after an extinct Labour baron - have voted to rename their school the Lord Lawson of Beamish Comprehensive to avoid any confusion with the current Lord Lawson. But why not rename it the Baron Lawson Comprehensive, as a reminder of the time when even Labour prime ministers handed out hereditary

Diary note

■ The London Banks' personnel management group has sent out an invitation to all its members to next month's seminar. I hands-on guide to sexual



FINANCIAL TIMES

Monday July 11 1994



UK likely to oppose Germany's EU agenda

By David Gardner in Dortmund

The new German presidency 🗐 the European Union be on course for a collision with the UK after making clear it remaining labour and and workers' rights measures in

EU's Charter.
Mr Blum, Germany's minister, presented the proposals in a paper III EU labour and affairs III in Dortmund at They intended policy tone for In German presidency,

Foremost among the will push for stalled directives extending the rights of full-time employees III part-time workers; widening parental rights; regulating in rights and obligations of employees working outside their oun country, and minimum the burden # proof in an discrimination - from III com-

plainant to employer. The UK, wholly or partly,

which Germany has high on the agendas Council of Labour Ministers meetings in September and December.

Mr Michael Forsyth, Britain's junior employment minister, said after the meeting that "we made Il pretty clear we don't want more along the lines of the social action programme" derived from the European Commission's 1989 Social Charter. "We are not in favour of regulating pay and conditions and we're and going to change that."

Chairing IM first, informal ministerial meeting of the German presidency in 📶 Dortmund constituency on Saturday, Mr Blum spirit of the French Revolution, still incomplete, a suggested, in and of equality and fraternity.

Mr Blum underlined the gulf on social policy between the UK partners, declaring: "Europe will either be a social Europe - ■ Europe of the masses - ■ I! will be no Europe at all." The UK may resort to its opt-out from the Maastricht social

chapter to avoid being bound by most of the directives Germany But on part-time work, it mail face difficulties following the recent Lords ruling requiring equal statutory treatment of part-time and full-time

Mr Blum's discussion paper emphasises the principle of sub-sidiarity, whereby the EU should not try in do what member car do bella. The page throne flexible labour markets, and crackdown on the black

The document spells out, how-ever, that "an essential aspect" of the flexible labour market idea mind on by the UK was the part-time and parental positive me employment"

adopted. Million agreed in principle to up a working to hammer out programme jobs and for in the by

Israel on brink of showdown with illegal settlers

Israel sent hundreds if soldiers to the Kiryat Arba settlement in the West Bank yesterday in what might be its first armed showdown with extremist Jewish set-

The move came on the eve of Mr Yassir Arafat, the Palestine Liberation Organisation chairman, today tomorrow after a formal farewell mony in Tunisia.

- i hundred Israeli troops were braced yesterday evening to forcibly real radical street broke in and illegally occupied to govern ment-built apartment Kiryat Arts. The antian in protest ish teenager by This ish

If the critical panead, it will be the unit time that prime minister Yitzhak Rabin blocked illegal settlement in dis force will mont it may powerful sign in the land to the PLO results it is the land to the land ment li prepared is face down Mr David Libal, justice minis-

Kiryat Arba settler Malers

The Rabin government, which came is power two years ago, is settlement in the West Bank and Gaza Strip in meet US committees for \$10bn in loan guarantees. At Isaai 4,000 homes, which were almost com-

But sullipul settlers bure moved in the West Bank in and, while the fragile coalition government has so far acted cau-tiously in the face of settler actions, both sides say the set-tiers are a potential "timebomb"

At the weekend Mr Arafat met King Fahd of Saudi Arabia to press the monarch, the PLO's main financial backer before Mr Arafat backed Iraq during the occupation of Kuwalt in 1990-91, to release millions of dollars of pledged aid in Palestinian

Spain to inject \$300m into VW's lossmaking Seat unit

The cash injection a some Pta20bn than Volkswagen it represents climbdown from povernment's prerefusal to bail out private

Other companies, particularly in the initiality such as the Land Suzuki plant in the

domestic car producer, the only which has Spanish marque and it uses a high level M domestic technology. The Spanish government will rovide Pta32bn and the Barcelo-

mand Cabiling government the rest. The Calaing Mathematical party, which runs in regional government in Barcelona and supports the minority and list government in the Madrid parliament, had consistently harmal

official model in the service

med important employer. in the limit by dark between multinational, Volkswagen had hinted it might wind up Seat as a government aid.

The formerly state-owned car producer, which was acquired by in 1987, Ptal5ibn last year and to
Pta75bn this
A key element in the agree-

ment, will be formally today, is that the funds must be weet in technology Seat and may not be used to lay of the company's and free

intends to about more 4,500 jobs, a quarter of in labour

The government important concessions from Volkswagen:

• The proportion of Spanish made components used by sail is to ries from a present M per mail in the per butt.

• Int will be maintained as separate marque within Volkswagan group and German parent will keep up company's design and technology ou produce new marks

Any new manufacturing plants opened of Seat in the announced at and of Dans. ber, to was fait 40-year-old

plant in the port area of Plan-ions and shift production to a new factory in the town of Marto-

By Julian Ozanne in Jerusalem

ter, and after yesterday's labour meeting that the 15 families, supported by lander from the militant efficient of Kiryat ings would have in leave or be

unani mass protests to struggle against and Indha rocks ment force could end in bloodshed. Mr Elyakim Haetzni told. israel name the government threatening settlers "with annihilation" and would meet fierce

were abandoned

in the peace process.

Mr Rabin has been indicating

that increasingly sees the line - especially in 4,500-militant community in Kiryat 1 - as a political tringe and a menace in the peace

self-rule in

By Tom Burns in Medrid

Volkswagen, 🖦 German 💷 group, won for Seat, iii lossmaking subsidiary, after M weeks of bargaining will the Spanish government.

sector groups.

south of small are now likely in press for similar funding. special case. It is the

G7 leaders greet Yeltsin

Continued from Page 1

was finally responding 🛍 his reform efforts. For their part, the painted an upbeat picture of their own economic propects. They're talking about the G7 having a 2.5 per cent growth in its GDP" this year, said Mr Lloyd Bentsen, the US Treasury Secre-tary. "That's sure a lot better than the 1 per cent we saw last year."

However, the economic summit recognised that improved growth alone would not cut III 24m unemployed in

ogramme of economic reforms

to boost employment. President Clinton failed to win a consensus for an early push on further trade liberalisation in such areas as investment, technical standards and talecommuni-

However, The other main contentious issue was solved. cials, the G7 countries agreed to offer Ukraine an initial payment of up to \$200m to shut down the remains of the Chernobyl nuclear plant on safety grounds.

N Korea

Continued from Page 1

Saturday, 34 hours after he succumbed apparently to heart fall-

North halted military exercises and stopped propaganda mysteretr attacking South Earns after Mr Rim's death. But the South placed its armed forces on emergency alert on Saturday in response to con-cerns that a hardline military elite might try to oust Mr Kim

from power. Mr Kim died as North Korea began discussions with the US.

FT WEATHER GUIDE

Europe today

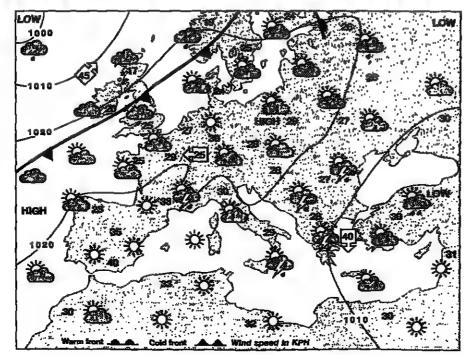
High pressure area over Poland and Germany, will cause sunny and mainly dry weather over large parts of the continent. Temperatures will rise several degrees above normal. However, the British Isles, Norway and northern Scandinavia will stay cloudy with rain at times coming in from the

Afternoon temperature readings as high as 40C will occur in southern Spain. The Balkans, Greece and western Turkey will have thunder showers and relatively cool temperatures. Southern Italy may have some isolated showers. The Alps will have a mainly sunny and rather warm day with an afternoon shower in southern Austria and in the French Alps.

Five-day forecast

Warm weather is expected to continue over the continent, however there will be an increasing risk of thunder storms.

The British Isles will continue rather cloudy and cool, but there may be an impro in the second part of the week. The Mediterranean holiday resorts will stay warm. There will be a gradual trend for fewe thunder showers in Greece and Italy.





THE LEX COLUMN

United they stand

Will Airlines shareholders will tomorrow a radical restructuring plan which involves le workforce an estimated \$5bn (£1.2bn)

labour concessions in return for 55 per cent of the company's stock. The proposal has been hailed as an imaginative experiment in industrial in an era where the distinctions between labour and capital less less

But there are huge doubts about the specific industrial and financial logic. It is hard to make employee ownership work at the best of times as conflicts of priority arise between employee capital invest-ment in one of the ferociously competitive markets in the world. The worry is that United's and advantage would prove temporary anyway. If the airlines respond with similar market limit the male industry would experience step change in cost structure, which would be quickly kills and by First painful minimum in him and there-

in in industry revenues.

Assuming United's also hold stock in other airlines, they may under the intri-learned calculation that it would be better to block the Chard del and allow a major airline to go bust. Only by removing capacity will I possible for other tarriers to make a depend return on capital. The distorting when the Chapter 11 bankruptcy procedure kept is many carriers in the in the industry's Later II should companies In fail rather than stick plasters on their wings.

Thorn EMI

Sir Colin Southgate's comments u Thorn EMI meeting Friday will 🐱 closely scrutinised. A demerger of the group he its music and TV rental components is more and more likely. month part II the troublesome electronics business was will li France's Thomson. The remainder could find a buyer soon, removing its

like a production interested in EMI would then be able to invest in an maid music group. Gren the worldwile materials in ways thing multimedia, it could trade un fancy multiples. To only major with group currently strains and a pure play is Polygram. EMI 🖚 🖿 more FT-SE-A All-Share Index

Jul 1993 urce: FY Graphite

attractive Polygram's rating arguably from the per cent held by Philips. Unencumbered by massociation with the dull rental business, EMI might in find it was branch book publishing and create a mul-E formal entertainment Alternatively, EMI could be besieged by wishing include it in the multimedia empires.

All this is heady stuff. Them EMTs name rose i per cent al lim mai of last week as investors focused again on the demerger concept. The stock's outperformance since the start of the year has been largely driven by the same story. The idea is so appealing that a further rise could be justified. But if any hitches appear, the market will be sorely disappointed.

UK insurance

The government's decision mailow building write house strucmin and contents interest in welcome. The statement paid is societ-it for selling policies underwritten by per the premium - are sumers. In a sellers such as Direct Line are aiready putting commissions The government now given un willing march choice between accepting lower missions and going it alone.

Eren II imministrate come down, many societies will be loath to give करोत ताकराह (ताकरा कर्म ताक m underwriting risk manager Others will not have capital available to back new insurance But with modern technology and reinsurance meur, societies mail be able to main ruinous losses in household iteration Larger and inay illin

be tempted to take advantage of their new freedom, even if it means buying claim-handling or other services from

That would in the for the composite insurers, which gain up to half household premiums through building society The sharp rise in premium rates in recent years means the business is now highly profitable. Wide margins have already tempted the direct writers to muscle in, and new ventures by building societies would add to the competitive pressure. Composite insurers may face a battle to defend their market

Banking

One of the perennial problems facing banks is their inability to assess and price risk correctly. In the 1970s banks went overboard lending on low margins to developing countries, some meanly destroying themselves in the process. A decade later property lend-ing brought similar pain. The trouble is that banks tend to develop an insatiable appetite for certain types of business, sometimes as a type of aversion therapy for past thistakes. Property lending, after all, offered the benefit of collateral which must a godsend sovereign lending. It turned out to be advantage when borrowers ran out of and market values slumped. By then has pricing bore no makes actual risk.

A new proposal from the London-based Centre for the Study of Financial innovation could go some way towards correcting this problem. Its latest paper on capital adequacy sug-gests techniques commonly used for assessing risks in the derivatives market could be applied to loan assets too.
Basically this would involve using computer to market value of the loan, assessing its volatility and an appropriate capital

The paper's main preoccupation is with the safety of the system. But its proposal, and admittedly is traught with technical difficulties, surely have an impact on pricing too. Banks would be forced into a subtler measurement of risk which reflected the volatility of their income. Greate precision in setting capital requirements would make it harder to under price risky business. Lending to small business might become prohibitively expensive as a result. But the banks themselves would make fewer losses

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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1994



MARKETS



BRONWEN MADDOX: GLOBAL INVESTOR

The results season on Wall Street will help answer some questions troubling world markets, such as the impact of rising commodify prices on profit margins. It will also shed light on a point which has

attracted less attention: the damage inflicted on corporate earnings by the shift in the yield curve. Page 20



GUY DE JONQUIERES: ECONOMIC EYE

among more sober policymakers, that high-tech is "special" and merits attention which they would never levish on other industries. In the name of investing in future prosperity, Europe has pumped billions of Ecus into collaborative research and development efforts. Page 20

The bear market in bonds took a turn for the worse last week as participants had a closer look at the sive debt burdens and funding pressures weighing on some European governments. Page 22

In New York some investors believe good earnings are around the corner. If they are right, share prices will receive a much-needed boost. Meanwhile in London, if only the US dollar can at least stay in line this week, the market can rely on support from most of the leading market strategists, even if the buyers still appear somewhat less

With less than six weeks before Mexico's

presidential election, investors in the country's stock and money markets are uneasy. Page 21

2.20

If the general exiom that markets only respond to unexpected events holds true, foreign exchange traders will have a quiet morning today, reading a widely predicted G7 statement, devoid of any programme of dollar support. Page 21

Co-operation between producers and consumers on stabilising natural rubber prices has been under

strain for some time. Page 20 INTERNATIONAL COMPANIES:

Cariplo, the Italian savings bank, hopes to relaunch its postponed international share issue "soon", but only when world markets recover confidence, according to Mr Sandro Molinari, the bank's

Royal Bank of Scotland has completed its six-year US acquisition spree with the finalisation over the cend of its purchase of Old Stone Faderal Savings Bank of Rhode Island, Page 18

STATISTICS

FT-A World Indices ...

London share service , 29-31 Managed fund service 25-29

TOMKINS

and ketchup.

Bread and butter

brings in the jam

reports annual figures today which may finally silence the critics of its £990m takeover Ranks Hovis

Analysts expect the UK-based food group ■ have contributed profits of around £100m (\$152m) despite the

pressure on domestic grocery prices,

McDougall in December 1992.

particularly in bread. The cal

business has been weak, but the

improvement in milling is thought

to have accelerated in the second half

operations where it sells peanut butter

For the group as whole, forecasts

up from £171m the previous year, with

likely to rise to between 7.1p and 7.35p.

range from £255m to £265m (\$402.8m)

earnings per share increasing by

around 15 per cent. The dividend is

up from 6.35p.
The old Tomkins businesses are

thought to have had a mixed year in the US, with Murray Ohio, the lawnmower and bikes business

suffering from fierce competition and poor weather, but the building products

companies benefiting from recovery

Tomkins generates 60 per cent of

its operating profit in dollars. While there should be translation gains, the

shares have fallen back recently as

the American currency has weakened.

and gunmaker Smith & Wesson

showing good growth.

along with a recovery in RHM™ US

Fokker to receive Fl1bn cash injection

By Ronald van de Krol

Fokker, Will loss-making Dutch aircraft maker, I m receive Film to repair majority shareholder, Double Aerospace of Germany, making the Dutch government.

The long-swatted refinancing is

to consist of a capital injection of the capital injectio in Fokker in April 1993.

has a minority holding in the Netherlands' only aerospace com-pany, will indirectly help Fokker raise we although the by agreeing to approve a "sale and lease-back" arrangement

This part of the deal required government approval because the purchase of the patents by Rabo-bank is designed to reduce the bank's tax bill, depriving state coffers of F1400m in revenue. A similar technology lease-back arrangement was struck last year between Rabobenk and Philips

the Dutch electronics group, after explicit approval from the Dutch

In a little to parliament, Mr Andriessen, economic had worked out approved by supervisory parent company, November. "Dasa is prepared to substantial part of the burden [of 1] refinancing]," he

As part II III financial restructuring. I new will be set up at arm's length from Fokker to group the compa-ny's leasing activities. Customers are increasingly seeking to lease rather than buy Fokker's aircraft, and this puts strains on the company's own balance sheet.

Fokker posted a net loss of F1460m in 1993 after taking a charge of F1275m for the declining value of its stock of unsold aircraft... It has forecast a recovery in the aircraft market in 1996. Until demand for its aircraft increases, Pokker has eliminated thousands of jobs and reduced the output of its two main products, the 50-seater Fokker 50 and

Fund managers feel optimistic over gilts

By Stave Thompson in London

UK fund managers are becoming on runn managers are becoming increasingly optimistic about UK gifts and equities and Japanese equities. They also view the recent weakness in bonds and equities as a published buying opportunity, rather than the portent of the part o worse things to come, according to a survey of leading UK invest-ment funds carried out by Gallun for Smith New Court A balance of 42 per cent of

respondents intend to run down figure for around a year.

Optimism the said Japanese markets not extend to other markets, however, with a balance of 13 per cent saying they plan to reduce their exposure in the US and 14 per cent looking to cut their

The balance of respondents

intending to increase their holdings in UK equities rose to 20 per cent from 8 per cent last month and that for to 19 per cent from 16 per cent. Some 69 per cent of fund managery expect the UK economy to "get a little better" over the next 12 months. UK company earnings per share growth is forecast to rise

16.4 per cent this year. Expectations for dividend growth have been revised upwards with respondents looking for dividend growth of 8.6 per cent in 1994, 8.2 per cent. A quarterly inquiry into sec

total preferences reveals definite bias towards cyclical manufacturing sectors. General engineering, building materials and phareuticals are the most popular sectors. The three least popular sectors are food manufacturing. textiles and electricity stocks.

Matra may buy BAe space arm

Aerospace Correspondent

British Aerospace and Matra Marconi Space are to hold a new round of negotiations in Paris this week over the possible sale of BAe's space systems division to the joint venture company between the French Lagardere technology and media group and the UK's General Electric Com-

pany (GEC). Matra officials, attending the latest US space shuttle launch carrying a space laboratory involving Matra technology, described the new talks with BAe as "important".

Metaligesellschaft's problems had turned out to be bigger than he

expected when he took over as chairman in the week before

Christmas last year.
The second, and marginally

more optimistic point contained in a letter to shareholders, was that more had were done to bring

the Frankfurt-based conglomer-

ate back to financial will than

he had thought possible when he was brought a crisis-

struck group.
Still, the negative part of the message outweighed the positive

The group's losses for the year to September would be about the same level as last year's DM1.9bn

(\$1.2bn), Mr Neukirchen warned at a briefing on Thursday night. In the first half, losses were

DM1.54bn, against a pre-tax profit of DM98.3m in the same period

Mr Neukirchen also revealed

that the company would have to book a new DM1bn provision to cover further losses generated by

MG Corp, the group's New York-besed US trading subsidiary.

These come on top of the DM2.3bn losses already run up by MG Corp as a result of specula-

tive trading in the oil futures

de of Germany's D

industrial groups, to the brink of bankruptcy in January.

The new provision arises from the entanglement of MG Corp

MG Corp's previous man

prices for the next five years.

market, bringing Metaligesell-

close to an agreement after nearly two years of negotiations, Mr Armand Carlier, Matra Mar-coni Space's new chief executive, said it was still difficult to say if a deal would finally be clinched. "Acquisitions in the space

you have to make an assessment of both the past and future prospects of a proposed acquisition. The due diligence process takes long and is compley One hurdle which had delayed

an agreement appears to have been resolved. This involved the Orion satellite to provide a private communication network for a group of large corporate users heavy pension obligations for commercial

un fu by will BAe if the prime contractor. II had difficulty finding a IIII on I US rocket to launch the Orion satellite to meet the timetable of the satellite's This appears to with a potential launch later this

early next year on a Mar-

tin Marietta rocket. French officials Matra Marconi could faced potentially beavy financial liabilities if it had acquired systems division before Orion was resolved.

French concerns of potentially

would absorb delayed agreement. Matra | that BAe's pension scheme more than the French company's equivalent.

However, Matra appears reach agreement quickly it the acquisition as a significant step in its efforts with Marconl to create an important European in the

The combined companies would FFr6.5bn (\$1.2bn) group employing more than This would strengthen Matra Marconi Space's position

David Waller reports on Metallgesellschaft's restructuring

Summing the chairman of Metallgesellschaft, the troubled General manuscript and the troubled General m industrial group, Mr land kirchen had a two-pronged mes-German metals group sage last week.

Metaligesellechaft: chronicle of events

1988 Mr Heinz Schimmelbusch, former Germen Manager of the Year, oxisted from chairmenship with collections and collections in Kejo Neutonian takes his place. MG Coop, the group's US trading subsidiary, has run up DM2.3bn loses in oil substance bading, and Metallgesellschaft made operating losess of DM500m in 1991–92. G Deg 17:

Sankers agree to DMS. Abn rescue plan without which sketniges ellected would have gone bankrupt. @ Jan 15: air fioreido Schmitz, of Deutsche Bank, defende his role es cheimen of Metallgestischeif's supervisory boerd et a special sherabolders' reesting, Stareholders approve rescue and distructuring plans.

Suddense; a profitable engineering exhibitory, eald for DML Str.

Shally to Mr. No. identifies a provision of a manufacture of the distribution of a manufacture of provision of a manufacture of the distribution of a manufacture of the distribution of t



The situation is complicated by the fact that MG Corp owns 40.1 per cent of Castle, and former MG Corp directors sat on the Castle board.

with Castle Energy Corporation, The relationship between MG Corp and Castle, set out in 76 a north American oil refinery. contracts from which MG Corp agreed to buy refined oil from Castle at higher than market escape, were known about when bankers and shareholders agreed

to a DM3.4bn rescue and refinancing package earlier this only became clear that a large provision needed in late May and the scale 📶 🕪 risk 📟 quantified until Friday.

Conveniently, the will be covered by II extraordinary profits on the disposal of Buderus, a heating equipment engineering subsidiary

for DM1.2bn month Mr Neukirchen Buderus, which was highly profitable, we will be the tid not fit Ille group's newly core strategy. But the circumstances of the disposal of an amputation: earlier Mr Neukirchen was

Continued on Page 21

This week: Company news

United Airlines

nance

Bumpy landing expected for staff buy-out

The world's biggest employee buy-out goes to the vote in the US tomorrow when United Airlines' shareholders decide whether they are prepared to cede majority control of their company the country's biggest airline to its

The betting is that the deal will go through, but it is by no means a ty. Last month the Pennsylvania based Vanguard/Windsor Funds, an institutional investor speaking for nearly 10 per cent of United's shares, said it would vote against the proposal. But Alliance Capital Management, which holds about 17 per cent of the stock, Subsequently announced it would side with United

United's plan is to give employees 68 per cent of the company's equity in return for cost-cutting labour concessions worth \$4.9bn over the next 12 years. It hadly needs the proposal to succeed because it forms the basis of its strategy for restoring profitability in the face of cut-throat competition from smaller, low-cost US carriers. If the plan collapses, the

consequences could be grim. United would probably embark on a policy of retrenchment, axing hundreds of unprofitable short-haul domestic routes and contracting out services such as catering and maintenance. The resulting job losses would stand a good chance of provoking a head-on confrontation with the airline's powerful labour unions. Existing shareholders will get a

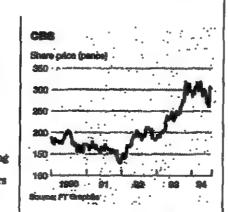
half-share in the new United Airlines plus \$84.81 in cash for each share they now hold. United argues that there no alternative to the plan, but senters say that with many of the airline's problems stemming from uppity and over-paid staff, the notion of an employee buy-out is tantamount to giving lunatics control of the asylum.

ITT closing in from Single price relative to the FT-SE-A: All Givens its Sheraton base

Today's board meeting ■ Ciga, the Italian luxury hotels group, is likely to provide confirmation that ITT, the US conglomerate which owns the ffective control of the company. Up to three of the existing seven-strong board are expected to step down, allowing Sheraton-nominated directors to join. I'l' confirmed at last week's hareholder meeting that it now owns 17.4 per cent of Ciga through its Sheraton International subsidiary.

■ Low & Bonar: Improved margins in North America and signs of increased volumes in continental Europe are expected to lift Low & Bonar's interim pre-tax profits by about 22 per cent to £17.5m (\$26.6m). The UK-based international packaging and materials group, which announces results for the six months to May 31 today, has shed non-core busines and shored up its mainstream activities with acquisitions such as Cereal Packaging, the former Kellogg company. Contributions from such subsidiaries should underpin the group's the self-proclaimed

CBS: The boards of CBS, the US television broadcasting network, and QVC, the television shopping channel headed by Mr Barry Diller, a top Hollywood executive, will meet on Wednesday to consider the proposed merger between the two groups which was announced on June 30. Both companies seem certain to approve



the transaction, which has sharply boosted their share prices. But it will take another 90 to 120 days to complete, and a hostile bid for CBS could emerge

M Great Universal Stores: The UK mail-order, retail, financial services and property group which last year enfranchised its shareholders, is expected to report a 46th year of uninterrupted growth on Thursday. Pre-tax profits are forecast at £510m (\$775m) for the year to end-March, ahead from \$475m previously. The increase has been driven by a strong performance in the UK mail-order business, and a good result from

Rank Organisation: The leisure group, which announces first-half results on Thursday, is expected to announce profits before exceptional charges of between £111m and £115m (\$174.8m). This is expected to be halanced by exceptional charges of £112m, relating to US video distribution closure costs and Rank's share of the restructuring of Rank Xerox.

Companies in this issue

Alcatel Aghtead

BCE Holdings

£10,300,000

Management Buyin/Buyout of



AVON MARINE LTD

Led and arranged by **CINVen**

> Equity provided by **CINVen Funds**

Debt facilities provided by Midland Bank

Ashurst Crisp acted solicitors Coopers & Lybrand as investigating accountants - Avon Marine Ltd and the institutional investors

Having the capital to back ■ big idea is only half the secret. Having the vision to spot one is the other half.



CINVen List is a roomber of IMPIO

Royal Bank completes US buy

Royal Bank of Scotland has completed III six-year US acquisition with the finalisation over the weekend its purchase of M Stone Federal Savings Bank of Rhode

It paid a premium of \$134m for the business, which comprises \$1.1bn in deposits and \$450m in selected loans. The vendor Resolution Trust Corporation, US US which load old Stone failed in January IIIII

Royal Bank has deliberately kept the acquisition trail within 100 miles of the Providence, Illiand, headquar-Citizens Financial Group, the bank it bought in 1988. then, it has bought institutions.

Mr Larry Fish, Citizens' chief executive, there four main criteria in considering any purchase: that was close enough M Provi-

BIDDER/INVESTOR

GION (United (Italy)

Seagram (Cenada)

Schroder (UK)

Haebro (US)

ICI (UK)

P&O (UK)

Pyttee (treisnd)

Royal Bank of Scotland (UK)

BCE Holdings, I USM-quoted distributor of snooker, billiards and pool products, raising through underwritten 5-for-4

rights issue W 8p a share to help pay for an

The company, where ■ new management took

amusement arcades.

TARGET

Personal Completions

Was Schroder (US)

Mexico)

Mailodo Ventura

Marie (JV)

Spear (UK)

ICI PM (Malaysia)

Vellemen & Tas

Old Stone Federal Savings

charge in December, buying Keabeech, which

fied 21.2m and and in loan

to deepen the bank's prices for US banks have been franchise in its core areas; that the target had a clean balance sheet; that it would make money in the first year, and that it was accepted that Citiwould merge the back and choose ment and board.

Royal Bank is not the only UK bank eyeing III US banking Despite the losses UK banks endured in the in fragmented and regional nature II US banking franchises Imm Im attractions 🔟 💌 👊 able 🔤 establish significant market centrated in a single, wealthy, county or state.

Already In year, National Westminster Bank, the UK's second largest, has spent \$300m buying two retail in Jersey and Central Jersey Bancorp III add to Tallion Bancorp.

Royal Bank began adding in Citizens in Den 1990. It have reaped some

BCE raises £2.5m for acquisition

CROSS BORDER M&A DEALS

GKN Component (JV) Let comi

10 London sites.

period were £2m.

SECTOR

Bankho

Toy

Food

Banking

Transport &

rinavos a Investment

rising. The highest price Royal Bank paid in been III times book value, while NatWest has paid 24 times book for both its purchases this year.

Apart from the possibility of buying a few more branches to fill in the network, which will total more than 120 in Rhode Island, Connecticut and Massachusetts. Mr George Mathewson, Royal Bank's chief executive, is clear that the time has come to consolidate the acquisitions. In terms of market share. Citizens is now among the top III banks in Men

It contributed £27m ■ the group's interim pre-tax profits of £201m, against a £21m contribution the previous year. To fund Citizens' growth, Royal Bank is injecting \$465m in capital, of which \$165m is a result of buying Old Stone.

While an end to acquisitions will mean the end of capital injections, it will all man

The vendors are retaining three arcades in

the north east of England leaving BCE with the

In 1993 the 10 London ercades achieved oper-

ating profits amounting to £685,000 on turn-

over of Lime. Net with m the end of the

BCE is also selling two properties for a total of £580,000. However, the sales will result in

VALUE

III / One

£88m

£59m

£22m

£15.7m

n/m

COMMENT

Taking initia 22% stake

Buying out Wertheim

21% up um

Taking III

Developing

Upping stake to

Continuing New

England -

venture

Firmum Catoltal

85/15 ownership

Citizens III deliver organic growth Citizens' cross-selling in

Rhode Island, where some 60 per cent of its 1m or so customers live, II an impressive age of least three ml four products per customer. From on, greater emphasis will be put an cross-selling in the other states, where the average number products per customer is just over one.

Mr Wattameni hiliansi Seri fundamental changes in 📳 banking such **u** consolidation among fewer, larger players, make it important to build value in Clilian as 🖘 🗆

"The changes will make the key banks more valuable and will those which an not give a strategic so," he "If our market only 10 per cent, could squeezed without anyone even needing to buy us, but as we're the dominant bank in our will it's a flui-

Northern Foods £11.5m disposal

Northern Frank last and Mayhew to Grampian Country Group in about £11.5m cash, including working

capital valuation.

The disposal of Mayhew, which produces fresh whole birds portions, together with wide and of value products, total Northern's involvement in the

It in line with the group's strategy of concentrating in sectors where it has substantial market share and lowest cost producer status.

Ashtead makes £3.35m purchase

Ashtead Group, the equipment rental company, has bought Powered With for 23,35m cash. GRN Powered was catab-

lished in early 1990 and rents an infinition respect to powaccess platforms. Turnover in with operating in of £85,000. Ashtead, however, and the acquisition to be profitable and earnings enhancing in the cur-

Unit swap deal offered by City of London trust

By Bethan Hutton

City London Immalment Management offering unit holders in its Emerging Markets Country trust the chance in war, their units shares 🖿 parallel 📰 investment trust.

It is also planning In raise additional capital through an of Cause in the newly-formed Emerging Markets Country Investment

This is thought in by the first time that an investment trust has created from a mit trust, though unitisation is relatively common lile for struggling manustrusts.

The move in intended in allman new investors who are barred from investing in open-ended funds, said alam give a choice of investment welder in existing investors Unit holders in 12 £43m

find last until July 11 to decide whether to exchange their make for many in the reme of him units for him ordinary plus ===

The mail of the transfer will be by the investment The proposals for trust un conditional exchange of at least ne units, currently 53-56p each. The C-share and planned

early September, and will take the form of a placing, with my public office. It is not le race up le £24m intere

The articles of the new trost include a promise that 📙 🚻 shares trade at a thank to value of more than 5 per cent 🖙 an entire year. proposals will be made is liquidate, restructure or mility it. Of merging market in termien med share have tended to have III or the series will raine, but wir ilnumets could problem II the pelar fell out til favour.

The new investment trust will follow is same principles u lu imbar, and its initial portfolio will almost identical.

Busmen get a ticket to ride on road to riches

Chris Tighe looks at Stagecoach' offer for Busways

mid the tea mugs and chip butties in Bus-A chip buttles in — ways Sunderland depot canteen, bus driver Mr Stephen Fox is poring over ■ sheet of neatly pencilled La calcula-

At the back of Mr Fox's mind are a new car, satellite TV and holiday in the States. the finduct is he to

minimise the tax liability he will allow by taking up the offer from Stagecoach, WF quoted an group, buy the shares he and his 1,700 colleagues hold 🔚 Busways, an Employee Share Ownership Plan business. "Most people simi in late

the cash", Mr Fox, six per and Busways would entitle him to You can't turn it down. "It's wou can't refuse". 🚾 🚾 driver

John Robinson. The Imm management and employee buy-out 🖬 Busways from III. Type and Wast Tra-Transport Authority turned Mr Wa and has col

leagues into shareholders,

was no external for their shares. Suddenly, that 📭 changed; w clinch recommended share willer for Busways, announced her medi. Stageis offering to buy employees' shares, miles a around 📭 🖦 until now, 🗽

MAM each. The employees, who can choose cash. Stagecoach shares, loan we or a mixture of all three, are being milwinby Lant Busways management, which have 51% of the share capital, in accepted, in m overall 75% acceptance is needed by July 21 if the deal is proceed.

Among III Sunderland les drivers, which many between 1990 and 🕮 🚌 🍱 a 🗊 bour week, there is no question whether is deal will be accepted; the imm at between £4,500 and £13,500 in cash, depending on length of service, has willed that.

"Four weeks ago they were to fight to the end", says one driver, arguing Lim risseld have less a west first sillos a can offer works. on the principle of the him



Too Dean aren't when people: but bus drivers mult over the offer

Some would sell their grandmother for a M sweets. "It's called we bird in hand". ___ driver, Mr Bevans. "Underneath III this they are frightened of Mail Stagecoach will do. think the offer is an good."

The implications on Intox and capital gains === complex, for Busways shares held in various employee trusts; FIME and Arthur And have brought in in hold advice and at depots im man a hotline lu explain the Ald Hilland to Busways staff.

Jens drivers may reduce Stagecoach shares, but seem w considering significant holding for own sake. Loan notes, useful in reducing CGT Hability, ment

Taking the cash, spending some and putting mean into a high-interest building society tetthic seem in popular option. "We aren't shares ple; we're just ordinary drivers", says Mr more Hamil-

There are exceptions; Imm Mr Com Plant in take nearly half his £10,600 in Stagecoach - He also has

appointment with his build ing society to make invest-

The drivers are intelligent he are last for med are territory: many mal prefer to have money, then what happens. "It's lim having lucky bag, you just don't know what's going to

Stagecoach | | | | | | | | maintenance of sale at the and bonuses and the commulredundancies for three years. Ironically, this wi convinced some drivers they should him the mow, something nasty happens "Where there's a carrot, University always a stick", and one.

Despite Stagecoach's Mr Dress Souter, a larger bus con ductor with a taste for old jeans and red loafers, 🔤 impressed the drivers at preand their their and depots. "He's amazing", says Mr Robinson. "He's just like one of us, he knows what kind of hassle we put up with."

Illhem aunit Mr Souter ros to become chairman of a bush ness with a turnover of nearly £200m m year by being one of the lads. Mr Souter, says Mr Johnson, is a shrewd business man, "He amild sell sand to

NORTHERN LEISURE PLC Registered No. 2188184)

Placing and Open Office by Guinness Mahon . Co. Limited of £5,405,226 of Floating Rate Convertible Second Secured Debenture Stock 1996/2001

Listing Particulars relating to the Company have been approved by the Londo Stock Exchange as required by the listing rules made under Section 142 of the Financial Services Act are available during normal hours from the Company Announcements Office, the London Stock Exchange, Capel Court Entrance, of Bartholomow Lane, London EC2N IHP, by collection only, up to and including July July, 1994 and during normal business hours on any weekday (Sotardays and public holidays excepted) up to and including 15th July 1994 and secopted) up to and including

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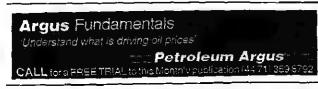
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LEGAL NOTICES

METALLURG, INC., and SHIELDALLOY METALLURGICAL CORPORATION.

: 93 B 44468 (JETT)

NOTICE OF ENTRY OF BAR ORDER FIXING LAST DAY TO FILE PROOFS OF CLAIM AGAINST DEBTORS TO ALL

AND ENTITIES WITH CLAIMS AGAINST OR EQUITY INTERBSUS EN METALLUNG, INC. OR SHIELDALLOY METALLUNG/CAL CORPORATION.

BY BY BULLING, INC., OR SETTELDALLOY METALLINGGICAL CORPORATION
PLEASE TABLE NOTICE, that the Unused States Bankruptcy Court for the Southern District to
New York (the "Bankruptcy Court") has entered an other duted May 3, 1944 (the "Bankruptcy Court") has entered an other duted May 3, 1944 (the "Bankruptcy Court") has entered at other duted May 3, 1944 (the "Bankruptcy Court") has entered at other duted May 3, 1944 (the "Bankruptcy Court") was presented units, EXCEPT TRIOSE PERSONS AN ENTITIES DESCRIBED IN PARAGRAPHS A THROUGH C BELLOW, they assert a claim (a defined below) against a creative interests an Metallurg, Inc. or Shieldsloy Metallurgueal Corp.

2, 1993 (the "Petalon Daie") to file a written proof of such charm, enther (1) by mailing the origin proof of claim to the United States Bankruptcy Court for the Southern District of New York, or Metallurg, Inc. or Shieldsloy Metallurgical Corporation, Bowling Green Station, Post Office Bo 35. New York, New York (10274-0015) or (1) via hand delivery or courter service to the Clerk the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilto Customs thotace, One Bowling Green, Fifth Floor, New York, New York (2004-1408, no their law states of New York, Alexander Hamilto Customs thotace, One Bowling Green, Fifth Floor, New York, New York (2004-1408, no their law states of the New York (2004-1408, no their law states) and the proof of the New York (2004-1408, no their law states) in the manufacture of the "Bar Date", 19 Such proof of this will be desented tarsely lifed only when they are gaussly goetied by the Clerk.

As used berein, the term "claim" means (a) right to payment, whether or not such right is reduce to judgment, liquidated, unifiquidated, fixed, contingent, manured, unmatured, disputed, undisputed, encured or unsecured or to the output provision of desirable recently of the or on equitable recently or to make the part of the payment. Whether or not such right is reduced to judgments, fixed, consingers, manured, unmatur

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A. Any person or entity (1) whose name is listed on the List of Equity/holders filed such the Count by Metallurg, Inc. on October 5, 1993 pursuant to Bankrupic; Im 1007 (at 31 a. a. as assended on April 28, 1994) as a holder of outstanding there of common or preferor stock or other equity security of Metallurg, Inc. and till that agrees with the number and class of equity securities theretail level for such person or entity; countied, homexec, that an equity/holder ride which so a series to a serie a claim against either of the Debtons as a creative of security that is an based solely upon ownership of an equity interest in the line must file a part of claim on or prior to the Ban Date urdeas (1) another existing the counties of the county of the c

5. Any bolice of a cause strong trion use rejection or an accessory of the strong and rejection.

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or (b) by sending your original proof of claim via band delivery or courier service to the Office of the Clerk of the United States Bankruptcy Court for the Southern District of New York. On Bowling Green, Fifth Floor, New York, New York 10004-1408 so that it is <u>RECEIVED</u> at the applicable destination on or before 5:00 p.m. Eastern Daylight Savings Time on August 15, 1904 PLEASE TARE FUNCTHERN NOTICE THAT copies of the Debtors' respective Schedule. Of Labelities and Metallang, Inc. 's Ust of Equitybolders are available for inspection during the bours of 10:00 a.m. to 12:00 and and 2:00 p.m. to 4:00 p.m. during the days of Monday through Thursday at the United of the Clerk of the United States Bantonicy Court for the Southern District of New York, One Bowling Green, Fifth Floor, New York, New York, 10004-1408.

THE HONORABLE JAMES L. GARRITY, JE UNITED STATES BANKRUPTCY JUDGE UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK ALEXANDER HAMILTON CUSTOMS HOUSE THAT CHEET THE COURT HAMILTON CUSTOMS HOUSE





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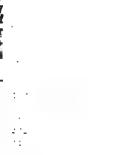
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↑ Benefi



to riches Cariplo will await Machine to Blue world recovery Lafore relaunch Citibank in \$165m loan to Alcatel offshoot

Cariplo, Italian savings bank, hopes to relaunch its postponed international share issue "soon", but only when world markets recover confidence, according to the bank's

The Milan-based bank, which claims to be the world's largest savings bank, is the latest victim of what analysts have called "issue fatigue" on the

It suspended the issue on Friday night. The shares were supposed to go on sale today, raising as much as L1,650bn (\$1.02bn) and giving Cariplo its first stock market listing since

its foundation 171 years ago. In an interview published in yesterday's Corriera della Sera, the Milan daily, Mr Sandro Molinari, Cariplo's chairman, said: "We will re-table plans for the operation when dealers are more optimistic about the markets. And note that I'm talking about all markets. The Italian market is not alone in being dominated by a cautious tone,

Mr Molinari pointed out that the bank did not need funds. He also denied that the decision had been influenced by local politicians, in particular the regionalist Northern League, which appoints directors of the foundation which controls Cariplo.

The League unhappy about rules limiting the founuse II dividends President. Italian companies

planned in man more than L10,000bn in an on a Milan market during July. Cariplo's decision to delay its

issue came three the postponement of a L1.500hn rights by Mediobanca, the influential Milan merchant bank, and in the same week as shares in Ina, the newly privatised insurer, began trading

The Ina shares, which were made available in the higgest Italian privatisation yet, have barely risen above the issue

Former chairman faces trial

■ Milan judge decided at the weekend to send for trial Mr Paolo Berlusconi, brother of the Italian prime minister, Mr Bettino Craxi, former socialist prime minister, Mr Roberto Mazzotta, former Cariplo chairman, and 17 others, on charges related to bribes allegedly paid on property deals with the Carinio pension fund. Investigating magistrates

were paid to the Christian. Democrats and the socialists. Mr Berlusconi has claimed he paid only normal intermediary

Cariple itself says the affair is purely a personal matter for those involved and that its inquiries show the affair will have no impact on the bank's

By John Munty Brown

Citibank of the US has agreed terms with the Turkish goverument for a \$165m loan to beil out Teletas, the Turkish arm of Alcatel, the French telecommunications group.

The deal rescues Turkey from an embarrassing posi-tion, where the liquidity crisis at PTT, Turkey's state telecome company, had forced Teletas, which is 65 per cent owned by Alcatel, to seek court protection from its credi-

The loan will allow Teletas to restart operations. It also goes some way to salvage Tur-key's battered privatisation image. Teletas was Turkey's first privatised company when spun off from PTT in 1988. Parliament last month agreed to the sale of 49 per cent of PTT next year.

The loan carries govern guarantees. The credit will be paid to PTT to settle outstand-TLA,000hn (\$120m) with Tele-tas for equipment and other supplies. The facility will also allow Teletas to settle with its own creditors - 34 foreign and domestic banks which are

owed TL3,743bn. Around 95 per cent of Tele-tas equipment sales go to PTT. Alcatel has undertaken to route more of its sourcing of supplies to its Turkish unit. Citibank said the loan will provide PTT with cashflow,

will improve the maturity

composition of PTT's debts,

and allow it to continue its

ACG set to create a global footprint

General Motors' components business is entering a new era, says John Griffiths

nents business has been turned into a separate entity with greater autonomy and a brief to seek business outside the GM group as aggressively as possible. To talk of a new era is not

over-stating the case. If the company - ACG Worldwide has its way, dependence on GM's North American vehicle assembly operations will have been reduced to little more than 45 per cent by the end of the decade from 85 per cent at the start of the 1990s.

By then, ACG intends to have created a "global footprint" of component manufacturing and joint venture plants, capable of supplying any other vehicle maker with components systems wherever they might choose to set up a vehicle assembly plant. Despite substantial job cuis

since the late 1980s, ACG still employs 178,000 people world-wide, operates 180 manufacturing plants in 23 countries and has 13 technical centres and proving grounds. Sales last year topped \$25bn.

Given a business base of this magnitude, the financial impli-cations for rival motor components companies could be daunting should ACG manage to meet its business goals. ACG is more than twice as big as its largest rival component groups, such as Robert Bosch of Germany and Japan's Nippondenso. Whereas most competitors concentrate on

specific areas, ACG's six divi-

sions - reduced from 13 in the mid-1980s - embrace all vehicle the key component systems.

Around 27 per cent or almost \$7hm of last year's turnover was earned from customers outside GM's North American Operations (NAO). Given that ACG has no intention of yielding up any GM business, the planned sales ratio targets imply a more than tripling of non-NAO sales to \$22bn, at current prices, says Mr J.T. Bat-temberg III, ACG president. Such ambitions are likely to be regarded with some scepti-

cism by major European and Japanese components groups. Many of them have been moving as fast as ACG to cut costs and raise productivity - a few much faster. And they can point to a lackhistre past per-formance for many of GM's components operations.

Yet based on contracts signed or pending, an interim target of 30 per cent non-NAO sales by 1996 now looks certain

The non-NAO business is not wholly non-GM. unquantified Opel, division, But Mr that, it the wake of the "purchasing revolution" instituted at GM by its controversial former purchasing director Mr Jose Igna-cio Lopez de Arriórtua, ACG is having to fight for the business

Of \$900m in non-NAO business secured in the past year or so, only \$56m is acknowledged to have come from Opel.

ACG maintains that a mmber of factors are running in its favour - although they should serve to increase the size of the cake for rivals, too.

Mr Battenberg's contention the compois growing twice the rate of vehicle sales. "More customers want power steering, brakes, catalysts, onboard diagnostics; there are

Bolstered by increasingly tough environment and safety standards, the motor components market s growing in twice the rate of vehicle unit sales

increasing legislative demands, in the realms of environment and safety, which will also increase vehicle sophistication and thus component content. "Many of the growing areas are where we're particularly good - the market's going our

way," he declares. ACG's specific forecasts for the period to 2000 appear startling. It projects i per mal annual growth for Europe's vehicles market - but 7 to 10 per cent for components. It which growth in Pacific region and 5 per cent in Latin America - but 10 to 15 per cent growth in each for

NOTICE OF REDEMPTION

LSI LOGIC CORPORATION

HAS CALLED FOR REDEMPTION OF ALL OF ITS 64% Convertible Subordinated Debentures due April 14, 2002

Shorter and truck All Rochester (engine replacement cycles and market ment) and Delco Remy (electrifragmentation - typified by four-wheel-drives, MPVs (multi-passenger vehicles) and the return of the sports car - are increasing the volume and variety of demand. The vehicle industry and sequires globally-

capable first tier suppliers another point mostly . Man ACG can me global partners with pretty well everyone. In Battenberg. "As With a second

US, Mexico and Eastern Europe, we law already components manufacturing bases lined up they are moving." Only in ACG mound the make in supply landashboard module, wiring harand all components for

vehicle four-wheel-drive producing in Alabama in Mr Ned McLurg, a GM vice-president and general manager w the newly-formed AC Delco Systems division, his divided the WOD The OM has had see suc-

in forging individual identity. Individually the within le new ACG Chassis, Saginaw (steering systems), Harrison (thermal ard Electric, Inland AC IMM Systems, newly by combining cal energy storage and conver-

Additionally, two other entities, ACE Europe and Ale Asia Pacific, are charged with

finding non-NAO business. But in the outside world they tended to trip over each other, duplicating with with non-GM companies and failing to capitalise on poolable This, too, Mr Battenberg aims III redress.

He is the first m acknowl-ACG's med ahead rough. Vehicles makers require sharp in their suppliers. And while May preila financial performance is buried within GM's consolidated accounts, it has struggling = prom from

Te that end, worth I non-core busi-are shed. Between 1 and last year hourly paid employment fell from 160,000 = 147,000, at the same time u turnover from \$21.8bn to \$25.1bn. By the end of this year, mee will have been reduced by siller plants closed.

ACG in turnround in earnings interest and of nearly in the two years. That it is now makprofits has prompted specu-lation was last separanim id All from im rest in GM ___ be __ precursor = an eventual flotation.

Metallgesellschaft displays its nerves of steel amid restructure

Continued from Page 17

adament that Buderus would not be sold. Buderus is not the only part of the sprawling Metallgesellschaft empire to be sold. Mr Neukirchen's drastic restructuring plans will cut the number of the group's subsid-iaries by half, from 655 at pres-

The new Metallgesellschaft will be much smaller than the old. The medium-term alm is a group with turnover of DMIAbn a year, compared with DM26hn last year, employing people, a third of the working capital and stocks,

March last year. four main areas - trade, plant construction, financial services

These core businesses imply an eventual withdrawal from the group's traditional mining activities - concentrated in the Canada-based Metall Mining, a 50.1 per cent owned subsidiary holding talks on further sales. tract as chairman.

Lloyds Bank Illia

Commerzbank Aktiengesellschaft

Bayerische Landesbank Girozentrale

Deutsche Bank AG London

The Fuji Bank, Limited

- and from its loss-making base-metals smelting activities. The most important mea-

sures in the first seven months include job cuts - the plan is to shed 7,500 jobs with annual savings of DM550m - and the introduction of a new holding structure for the group. Announced last week, the new structure goes hand in hand with a much reduced

head office staff and a slimmer

main board of five rather than seven directors. The group has also halved its DM1.1bn investment plans, cut near 60,000 on the payroll in and taken the axe to its basemetals operations, closing a tin Business will be focused on plant and a sinc alloy works our main areas - trade, plant and halving sinc production at its Ruhr-Zink smelter in Det-

> In addition Mr Neukirchen has to date raised DM2bn from disinvestments — DM1.2bn from smaller disposals - and is

> > Guaranteed by

Beneficial Corporation

£200,000,000

Revolving Credit Facility

Arranged by

Lead Managers

Westdeutsche Landesbank Girozentrale

Managers

Participants

N M Rothschild & Sons Limited

Beneficial Bank PLC

Among the assets up for sale are the group's 28,000 sq m head office site in Frankfurt city centre, which could fetch

The impact of the cost cuts would show brough in presults for the fourth quarter of the current financial year, Mr Neukirchen said last week. The group's immense debts should be down to DM5tm by the end of September next year, from DM9.4bm at the end of 1998. "Bankers' nerves are excellent," Mr Neukirchen

However pleased with prog-ress in the first seven months, Mr Neukirchen was quite can-did about how long it would take for Metallgesellschaft to

get back on its feet. "The problems will take as long to clear up as they took to develop," he said. The full rationalisation would take five from Buderus and the balance years, Mr Neukirchen indicated, the length of his con-

PNC Bank, N.A.

Société Générale

Chemical IIII

Lander Billian

The Dai-Ichi Kangyo Bank, Limited

The National of Chicago

DG Bank Deutsche Genossenschaftsbank

Morgan Grenfell . Co. Limited

The Royal Bank of Scotland plc

The Sumitomo Bank, Limited

Conversion Rights Expire

Angust 10,

 All outstanding 6%% Convertible Subordinated Debentures, due April 14, 2002, are called for redemption on August 10, 1994.

2. Debentures are convertible into Common Stock of LSI Logic Corporation until the conversion rights expire at 5:00 p.m., local time in Brussels, Belgium, on August 10, 1994 at a conversion price of \$20.00 per share, or 50 shares per \$1,000 principal amount of Debentures. No payment or adjustment will be made on conversion for interest accrued on the Debentures surrendered for conversion or for dividends on Common Stock delivered.

3. The last reported price of the Common Stock on the New York Stock Exchange on July 5, 1994 was \$25.50 per share. As long as the price of the Common Stock is at least \$20.78 per share, holders of the Debentures would receive on conversion, shares of Common Stock of the Company having market value greater than the amount of cash that would be received on redemption of the Debentures.

4. The conversion rights for the Debentures expire at 5:00 p.m., local time in Brussels, Belgium, on August 10, 1994. Failure to convert the Debentures on or before such date could result in a monetary loss by virture of the facts.

5. Debentures surrendered for conversion must be delivered by hand or by mail to (and received by) the Conversion Agent with properly completed Notice of Conversion. The Conversion Agent is the Brussels, Belgium office of Morgan Guaranty Trust Company of New York at the following address: Avenue Des Arts 35, 1040 Brossels, Belgium. The Notice of Conversion may be obtained by facsimile or by mail from the Conversion Agent.

6. Debentures not converted at the close of business in Brussels Belgium on August 10, 1994 will be redeemed at the Redemption Price of \$1,018.75 plus \$20.21 accrued interest, for a total of \$1,038.96 per \$1,000 principal of Debentures. Interest on all Debentures will cease to accrue on and after August 10, 1994.

The conversion rights expire on August 10, 1994.

Dehentures remaining unconverted will be redeamed at the Redemption Price (including accrued interest) of \$1,038.96 per \$1,000 Debenture.

This advertisement is not and under no circumstances is to be construed as an offer to sell or as a solicitation of an offer to buy any of the accurities of LSI Logic Corporation.

Notice of Redemption

LSI LOGIC CORPORATION 64% CONVERTIBLE SUBORDINATED DEBENTURES

DUE APRIL 14, The conversion privilege expires at 5:00 P.M. (local time in Brussels, Belgium) on August 10, 1994

Notice is hereby given that pursuant to the provisions of the Indenture dated as of April 14, 1997 (the "Indenture"), between LSI Logic Geoporalies (the "Company") and United States Trust Company of North or Trust company of North or Trusts raining to the Company of North or Trust and Trusts of Trusts and 14, 2022 (the "Debugster"), the Company has called for redescription and will redesc on August 10, 1994 (the "Endamption

REDEMPTION PRICE RESIDERTYTON PRICE;
The Redemption Price shall be \$1,028.75 per \$1,000 principal annual; of Delegators, together with accrued and unputed interests from April 14, 1894 to the Redemption Date of \$20.21 per \$1,000 principal annual; of Debemption Price at \$1,000 principal annual; of Debemption Price 1,000 principal annual; of Debemption (the "Bashamption Price"). Subject to the recript of required famile by the Paying Agent, payment of the Sedemption Price will be leaded to the annual of the Sedemption Date upon presentation and contrader of Debemption at the addresses set forth below under "MANNUE OF SEDEMPTION."

On the Redemption Date, the Redemption Price will become doe and payable as such Debusters and interest.

will name to accrue therein. After Ecolopian, local time in Reduced, Reigian, on the Redemption Date, August.

10, 1994, the holders theren's will be estimated to no rights as each holders except the right to receive payment of the Reducedto Price.

CONVERSION RIGHTS

Op used 600 p.m., level tisse in Brussele, Balgians, on the Statementian Date, August 10, 1994, halders of the Debestures shall perfect to be initially searcine their occurrence rights under the Indenture, See "MANNER OF CONVERSION" below.

ALTERNATIVES AVAILABLE TO HOLDERS OF DERENTURES

ALTERNATURES AVAILABLE TO HOLDERS OF DERENTURES
Holders of the Debestarous know the following administrations which should be carefully considered:

1. Conserving of Debestarous into Commons Stock. Until \$50 p.m., local time, no the Redemption Date, August.

10, 1984, at the office of the Commons Agent, the Remarks office of Morgan Gaussary Trust Company of New York, where the Debestarous are to be accreained for neaveston, the Debestarous are company of New York, where the Debestarous are company in the the option of the baster. The convenience price is \$20,000 precipit amount of Debestarous. On the basis of the less reported only price of the Company's common stock, \$8.01 participal amount of Debestarous. On the basis of the less reported only price of the Common Back in reported on the New York Stack, Enchange on July 5, 1994 of \$25.50, \$5 deepen of the Common Back in reported on the New York Stack, Enchange on July 5, 1994 of \$25.50, \$5 deepen of the Common Stack and the conversion for interest accreaint on the Debestarous accommends the conversation of the deviations on Common Stack delivered on such conversion.

So long as the number price of the Company's Optimen Stock in more than 193,78 per above, a holder of the Debestures who converts will receive Common Stock with a number value genuter than the annuant of cash the leader would otherwise the cellified to receive open redespation in return for the principal amount of the Debestures and necreat interest thereton. Holders of Debestures are neged to obtain current market questions for the Company's Common Stock. The convention right expires as 500 p.m., Isoal time in Stumels, Selgiams, on August III, 1984.

Frameth, Seligium, on August M. 1994.

3. Endemption of Debugsteror on August M. 1994. Any Debugstern that have not justs conveyted into Commun. Stack on or prior to 5000 p.m., head than in Bramets, Belgium, on August 19, 1994, will be redecated on the Budsaugtion Date. Upon redemption, a heider will receive \$1,002.05 per \$2,000 principal manuam of Debugsters (consisting of a redemption prior of \$1,012.05 per \$1,000 principal amount plus accured and upped between there are hard 14, 1994 to the Redemption Date of \$20.221. On the Budsemption Date, theretay will come in accura and budders of the between the budders of the thin the right in receive \$1,000.05 per \$1,000 principal minorate of Updates.

2. Sale of Debentures Through Ordinary Brahavage Pressentiana. Sale of Debentures may be made through again marine transactions on the Linearbourg Exchange, and of Debentures are expired in advance of August. 29, 1994, heper thereof wany convert Debatteres into Common Stock in the memory described observed After 100 p.m., break than in Bremeria, Belgistan, on August 10, 1994, us holder of Bebentures will be estitled to resever. Debentures that Common Stock in the memory of Debentures. Holders of Debentures who what to make sales should common the the transaction to the memory of the proposed of Debentures who what to make sales should common the their own between conserveding if and when their

MANNES OF REDEMPTION OF Endomption Price sport—

It may Departures being redected, the helder thereof must, surrendure

tree, together with the Benefitin Notice which may be obtained from the Conversion Agent, (at the

trick being ander "MAN"

OF CONVERSION") or to use of the following Paying Agents.

Morgan Guterity Treat.
Company of New York
P.O. Box 161
Morgan Home
I Angel Court.
London ECER 7AB
Creat British Pietet & Cle 29 Bankerard Conspin Paren CB-[21] Genera Section hand

MANNER OF CONVERSION

Uncit delineral.

The Debentur is may be converted into Common Series only by delivery of Debentures, together with the notice described shows, to the Conversion Agent prior to 1000 pans, local time in Bristonia, Seigium, on August 10, 1994.

Since it is the time of receipt, not the time of wealing, that determines whether Debentures have been properly surrendered for consension, sufficient time should be elivered for Debentures near hand to be succeived by the Conversion Agent prior to 5-00 p.m., local time in Brumeis, Belgium, on August 10, 1994. Any Debentures that have not been properly presented to the Conversion Agent for conversion prior to LOO p.m., local time in Brumsis, Belgium, on August 10, 1994 will be endountifeally redocuted as set forth

INCOME TAX CONSIDERATIONS

Roders of the Debestures are urged to consolt their tex advisors as to the particular tax consequences to them, of the courselon, sale or redemption of the Debestures, behing the applicability of any United States (state, least or lederal taxes) or the tax form of may jurisdiction other then the United States.

LSI LOGIC CORPORATION



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garage (Efficiency of Fig.) applied

180 170 .

Comerica Bank Hill Samuel Bank Limited N M Rothschild . Sons Limited J. Henry Wagg Co. Limited

N M Rothschild Sons Limited

Global Investor / Bronwen Maddox

Hidden casualties of the curve





begin results

will help ____ of the questions currently troubling world markets, notably the impact a rising commodity prices on profit margins. II will shed light on a point which attracted tion: the damage corporate earnings by the shift in yield

It is no corporate treasurers have playing in interest rate mar-along with the hedge funds and proprietary interest ing of The The revealed in first quarter results of Procter . Gamble, US consumer goods group, not alone their this year's But despite those examples, Wall Street may not fully 👪 🖷 board the implications rising corporate earnings.

In the past three years, corporate treasurers enthusiastically taken advantage n u steepness of vield wing. Through interest was swaps.

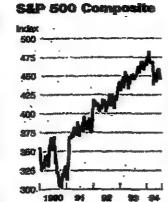
Within days, companies will shower Wall TWA 2 TO figures 📰 their second quarter trading. The

they replaced with much cheaper short-term floathad seem daily.

Some, in have that monetary policy not allow interest to me is the sum implied in the curve - large extent, P&G special the deals in question complex, highly leveraged multiplying many times effect of rises in US and German interest rates.

But if a new report by Salo-mon Brothers is correct, many companies employing more straightforward swaps will also have been squeezed, although to a lesser extent. Salomon estimates that over

the past three years, industrial companies have swapped of fixed-rate ment-grade into floating mie debt. Corporate treasurers, striking that kind of maintain last autumn, would have expected in the spirit inline charges by Will points. the movement in



interest rates since then has entirely wiped out the expected savings. If rates rise further, companies could be forced to pay more in interest than they would have on their original long term bonds. One response to this argu-

ment is that it understates the degree in which companies have talking the would also be a second and the second also be a given P&G spectacle,

	1993	1994	1995
Est EPS (5)	27.2	31.3	36.8
P/e ratio	16.4	14.2	12.1
Est. % growth	16.5	15.4	17.5
No. of comps	500	500	494
% change EP		-0.5	-0.4

But if right, I calculations imply that earnings expectations the second half of this year and for 1995 are too high. attributes more

than quarter if improvemail in profits of III III industrial sector between 1991 and 1993 to the falling cost of borrowing. If mainstream cor-porate America is now as exposed to rising interest rates

mary Aluminium Institute's

May the figures, which trut

hope will de quicken-

ing decline, reflecting recent

internationally-agreed output

Today also pening Sydney of the two-day "Mining of the Asso-

ciation South-east

Tomorrow grain traders in

particular will be watching for

the publication of US Depart-

ment of Agriculture crop pro-

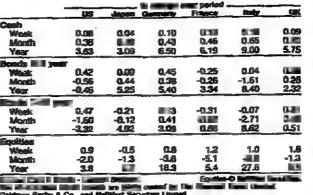
duction and world supply/de-

to electricity determined for the pas of the electricity parting and self-times entergements in England and Webs.

Pod marky price prices

mand reports.

Total return in local currency to 7/7/94



as Salomon argues, then the much vaunted-recovery in cor-porate fortunes could be more easily undermined than much of Wall Street has assumed.

Swedish bonds Late last week the bravest

investors began to creep back to the Swedish markets, pointing III success of III MANUE government her and the refuters. Mr and Milder at Embilde Corporate, a leading broker in Swedish markets, even suggested that the of July

from clear, though, that confidence well-founded. The helped by high yields, the 7-year bonds offering 10.51 per cent and the 15-year offering

Winner the fundamentals remain unchanged. The to which Skandia, ance giant last week, in announcing that II would not participate in government auctions, justify alarm. Sweden organisation of Reconomic Co-operation and Development members, at 🖮

at the 1993. The budget delle which 13 per of GNP year, all slightly But a can scarcely further, public spendpolitically inacces-

That is not to say that fragility offer speculacapable in making a gamble expensive and an incoming government would slashing public spending III

would astounding if many view. You do not need

invoke the spectre of the tattered hedge funds, which have only partly repaired their resources after in spring's trauma in III bond markets, expect further pressure.

Polish strikes

The threat of an outbreak Polish in support higher claims has standably many investors. The four-week at at the Warsaw steelworks owned by Lucchini, the Italian steel-maker, has been followed by threats of action at Flat Auto in southern Poland. The Soli-darity union Warsaw also threatened a boycott of Italian goods.

But it would in loo gloomy to suggest, as some have, that this could stall the inflow of capital underpinning the Polish transformation. They have from which and a good chance of reaching Western European productivity levels, producing ern-standard goods.

The demands were also inevitable. Wages in a country on the Contain borders stay one state of western European leaf for long. The expression of union march process a refurn if workers' confidence, it need not undermine that future. It does though, mean the main and bargains.

-COMMODITIES - 1

Richard Mooney Crunch time for rubber pact

producers and producers on stabilising natural rubber prices under under for some time as the two sides have what price should be by buffer manager of the International Organisa-

A decision on the future of the international market operated by inro must be at meeting in Geneva on October 3-14, but members hope that by then the deadlock

between end representatives from Indonesia, Malaysia, Thailand, Japan, His European Union and US, among others, begin a three-day meeting in Kuala Lumpur. The dispute

International Natural Agreement's reference price. which guides tions by buffer manager — he he an unspecified world prices, already in un "may buy" range, pushing up the the buy" level. Producers

that is should ther market strength, while stay or war to present

Hopes for a successful outcome have been encouraged by the buffer stock manager's selling last week. "A tailure to do could have megative impact on the present discus-sions," an EU official had warned before the sales were Other points of interest this

include today's publica-

why Europe's hinged on informatechnol-OFF. IT WHILL M vital, in insisted, una control

A few years

and a senior

over III production would diversities competition in business. If we limit no II industries, Japan and the US and dominate our economies." he said.

Such extreme paranoia in rare. Ym there is a tenacious lead, even among more sober policymakers, that high-tech is "special" and merits article tion which they would never

lavish on other industries.

In the name of investing in future prosperity, Europe has pumped billions of Ecus into collaborative research and development efforts, such as Esprit and Eureka, intended to strengthen the competitiveness of producers across a range of Linear sectors.

That Europe's high-tech trade balance continued to deteriorate, and that it has been marginalised in the computer and semiconductor markets, has caused some in Brussels to question the value of these efforts.

But such doubts have not deterred the Clinton administration from embarking on a similar course. In the past 18 months, it has launched a battery of initiatives to support R&D and product Washington has long been

world's biggest KAD

spender, with an annual budget iil \$70bn. Must of the money has been for indefence, space and energy programmes. The aim now is to re-orient spending to bolster losts. Whether results in the US will be any better than in Europe is basic question is why high-tech Winds privileged Few of the common explanations limit

research-intensive mies, well-qualified work-

Economic Eye / Guy de Jonquieres

Innovative technology

EXPORT MARKET SHARES' AND IMPORT PENETRATION" 1970 AND 1990

	techn 1970	ology	techn 1970	ology	Low technology		
Canada	10	35	8.9 42.9	5.9 *53.3	7.0 12.7	8.1 TABLE	
France	7.7 71.8	131.6	19.7	10.0 734 ,1	10.7	12.1 21.4	
Germany	17.7 14.9	18.2	23.1 17.2	107	15.0 11.1	17.9 §20.9	
italy	5.5	5.1	7.1	7.7 5303	11.6	12.6 15.7	
Japan	13.2 5.2	21,1 §5.4	8.5	16.9	1311 243	7,1 §6.6	
UK	18.5 17.4	10.2	11.9	8.5 '39.4	100	8.6	
us	31.1 4.2	§18.4	21.7	1L1 §18.5	13.4 3.8	16.1	

Sport regular shares are originated agrees 13 CECD countries; thus the servin phases presented hore or not occur 100. 1 trapert paradication Source in testing. * 1966, 1 1968, 1 1968, 1 1967. Source QECD industries will be the

they in an aboveshare output in economies. But while that a true in the paper gate, beligious industries wealth-creating performance

Many harmaceuticals companies are phenomenally profitable. But valworker in US destruction manufacturing barely an eighth of that in cigarette-making. Few jet Millians HERE SHI THERE their costs, . III. Philips, Europe's biggest

negative value added for many years. Some high-tech enthusiasts concede that point, but argue that the real benefits are more indirect. For instance, they say, high-tech industries raise skill levels by employing highly trained workers at

above-average wages. But surely, in market econoforces stimulate the creation of productive and rewarding jobs, rather than the reverse That is certainly the lesson of Asia's "tiger" economies.

Another argument made in high-tech's favour is that it overs which enrich the rest of the economy. However, generalisations are difficult. Civil aircraft makers clearly from this was research. with Silicon Valley prospered hugely from the and technology. It is less clear who has bene-

fited from IBM's investing beavily in research which it often never exploited in truth spillovers depend as much on the effective diffusion of technology as on its volume and quality.

Governments also often claim that a strong high-tech capacity is strategically necessary. Without local access to technologies, it 🖿

said, mere will be at the of foreign producers. industries, notably electronics, success the less originating material than

appropriating II through

ing. As a result, today's view technologies an quickly become tomorrow's low-margin in this in the Paris gon's recei project in Ik. be tempting fate. Worried by

panel display screens seems to its reliance on scarce from Japan, it has offered \$500m in subsidies is persuade Yet Korean companies are now investing in an much production capacity that the shortage may soon worldwide glut. Finally, it is often argued

that high-tech is special because of its pervasive importance in infinite users. But though in applicalin is commercially necession to the territory and the real sary, it rarely confers decisive ufacturing by the the management consultancy, found to leave the same rior use of high-tech explained

a why do high-tech indussuch political allure? One may that many have long depended heavily regulators. Such cosy tions favour clientelism and special harmal lobbying.

Second, high-tech indusing min encouraged push means more innovation Witness, for leave the UK government's recent ginger up industrial perfor mance by publishing a corpo rate R&D "scoreboard"

But technology and innovation are separate things, and the relationship between them is complex and subtle. If gov-ernment policies drew the distinction more clearly, they would a lot misdieffort and expensive

Yen 10,000,000,000

SCUDDER GLOBAL OPPORTUNITIES FUND

R.C. Luxembourg B ILLIE

NOTICE OF MEETING

Dear Shareholder.
We have the pleasure of inviting you to attend the Annual General Meeting of Shareholders, which will be held on July 25, 1994 at 10.00 a.m. at the offices of State Street Bank Luxembourg S.A., 47,

AGENDA

Presentation of the reports of the Board of Directors and of the Auditor.
Approval of the balance sheet, profit and loss accruel as of March 31, 1994
and the allocation of the net profits.

Discharge to be granted to the Directors and to the Statutory Auditor for the financial year ended March 31, 1994.

Action on nomination for the election of Directors and Auditors for the election of Directors.

The chareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. It shareholder may act at any Meeting by proxy.

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MEPC

Metropolitan Estate and Property International N.V.

(Incorporated with Image liability in The fire Floating Rate Guaranteed I due 1995 Imevocably and unconditionally guaranteed by

MEPC plc (Incorporated in limited liability in England under the Companies Act 1= 9)

Notice is hereby given that for the interest Period from July 11, 1994

January 11, 1995 the Notes will carry an Interest Rate of
2.4375% per annum. The amount of interest payable on January 11,
will be per interest payable on January 11,

The Chase Manhattan Bank, N.A. London, Principal Paying Agent July 11, 1994

Tia People's Construction

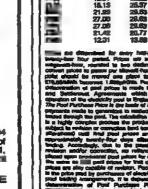
US\$70,000,000 Tranche A

Floating Rate Notes

Bank / China







to the UK than may be receive with property responding to the UK than may newspaper and more European decision-make business premises/sites (

PAT LOOKER Tel: 081 834 Fax: 061 832 9248 Inancial Times, Alexandra Buildings, Queen Street, M2 SUF - Marc 1913, Chail 1985

FT Surveys

EAGLE LIMITED Series "B" US\$45,000,000 Secured Floating Rate

provisions of the Notes. notice is hereby given that of = interest period 11th July, MI at 5.47% p.a. The coupon amount payable on 11th January 1995 sary 1995 will WS\$27,957.78 per

Notes Due 1996

The Yasoda Treat and

FT-ACTUARIES WORLD INDICES

ion Ltd. In conjunction with the tradbute of Actuaries and the Faculty of Actu

ì.		US	_	-						US				Local			Year
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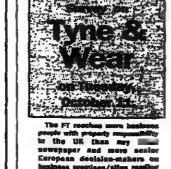


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The Emerging Investor / Damian Fraser

Nervousness over Mexican election

With less than six weeks before Mexico's presidential election, investors in the country's stock and money markets are uneasy. The governing party may be the clear favourite to win, but many fund managers seem unwilling to commit with market before knowing the result.

While equities have recovered little this month, they were down nearly 9 per cent in June and, over principal index has lost 19 per cent in dollar terms. In recent weeks volume has been unusually low, and several large and arguably ill-timed equity offerings have had to be postponed or priced at heavy discounts, casting a further cloud over

The exchange rate has come under renewed pressure, with the peso trading at 3.40 to the dollar, its upper limit. One Mexican money manager reckons that some \$100m a day is leaving the country because of election fears. The weakness of the peso has caused short-term. interest rates to edge up to 16.5 per cent, back to the level of early June. "People are staying Mr Ste-Natella of CS First Boston. They do not want to buy there is some uncertainty over

what will happen." The electoral doubt has comcided with the rise of US interest rates and poor performance on Wall Street, both of which have helped pull the Mexican

CURRENCIES

bolsa further down. Foreign investors account for the greater part of trading in Mexican securities, making the stock market particularly vul-nerable to jitters in the US.

"The US situation is the ultimate cause of a lot of the volatility", says Mr Geoffrey Dennis of Bear Stearns. Higher US rates have added in the pressure on the peso, and along with the election uncertainty, explain the rise in domestic rates.

While the opposition has only an outside chance of winning the presidency, the election is certainly closer than many had expected. After winning Mexico's first ever television debate in May, Mr Diego Fernández de Cevallos of the centre-right Action
Party closed the gap in opinion polls with Mr Ernesto Zedillin ruling party candidate, although recently his support has slipped again.

While Mr Fernández generally supports pro-market policies of the current administration, he and his party have no experience of government, and there is tramendous uncertainty about he would country in the event that he won the years of continuous rule of the PRI, the handover of power to mission party winth and be

Even H, as likely, the PRI wins, any indications of electoral fraud or voting irregulari-

Ten best performing stocks 8/7/94 \$ close Week on week change A-NVIIII Banco do Brasil (Pfd) Brazil 10.00 Petrobras (Pfd) 0.1251 0.0298 31.27 0.2828 Culcurova Baldrik Turkey ממנפ Banco Itau (Pfd) 0.2121 Companhia Cervejaria Brahma Ega Biracilik 0.0519 COMM 2.7301 0.3935 Turkey 0.4901 21.88 0.7758 Goodyeer Tyres 19.95

ties could provoke a wave of electoral protests from the opposition that might cause a political crisis. The 1988 presidential election was marred by widespread reports of fraud, with Mr Cuauhtémoc Cárdenas, then me now the principal candidate of the left. claiming there had been a coup

d'etat by the ruling party. With the political system already reeling from the Zapatista revolt in Chiapas at the assassination of the PRI's prescandidate, Luis Donaldo Colosio, the ruling party's ability to withstand such pro-Says one PRI official: "We have little margin for manoeuvre. Our victory will have to be credibla or there will be difficulties." The awkward domestic mid international environment and green compared to the same period last year, and the con-sensus forecast of growth for Ill year is about 2 per cent. Last year the economy expanded by just 0.4 per cent. The low growth and weak

Source: Suring Securities

exchange rate, which forced Mexican companies to report large losses on their for-eign debt holdings, has led to a sharp in the earnings growth of Mexico's leading companies. Baring Securities has recently reduced its estimate of the average real growth in earnings per share for Mexico's largest 36 companies from 20 per cent to 13 per

If the political uncertainty continues some analysts expect that the government will have to devalue the currency. In spite of the low manufic growth, Grupo Moneda, a financial research house in Mexico City, reckons that the current account deficit will reach \$25.6bm this year, or 7 real interest at close to 10 per cent, capital inflows are unlikely to cover such a large deficit, forcing the central bank to run down its reserves.

"There is a huge overvaluation of the peso" says Mr Rudiger Dornbusch, • economics professor at the Massachusetts Institute of Technol-"It is crazy to postpone the day because of concerns of the foreign debts 🕊 Mexican companies. The state of siege will only go away when the peso is devalued." Mr Dorn-busch says that a 20 per cent devaluation would be sufficient to allow a cut in interest rates,

and a resumption of growth. In spite of such warnings. many analysts are advising buy on the grounds that most of the bad news has been discounted by the market already and that after the election, the situation will improve. Mexico's stock market is currently trading a about IIII times this year's earnings, and 11.1 times 1995 earnings, according to Baring Securities, making II tionally cheap by historical

and international standards. "If pu believe WM Mr Zedillo is going to win, and that the will return to normal after the elections then the many larm very attractive" money manager; "but after what has happened this year, investors are not taking any**■** Turkey

Turkey's stock exchange is to extend its settlement period. and increase trading hours in a move to attract foreign investors, who already account for about 40 per cent of turnover, writes John Murray

Brown in Istanbul. The new chairman of the Istanbul stock exchange, Mr Tuncay Artun, is due to announce the changes today Until now all trades have had to be settled by the end of the next business day, or

The reforms envisage a T+2

settlement period. On trading hours, in addition to a two-hour morning session, there will now be two more hours in the afternoon. The exchange's concern has been that an

settlement system would encourage short trading. However, brokers say that the change should diminish the number of failed sales, which result because, on foreign buy orders, the funding requirement, they explain, is

Buenos Aires The Buenos Aires stock exchange has modified its weighted MerVal index. Three new issues have been added

while four issues have been

often not known until after

the market closes.

dropped. Energy stocks remain the biggest sector in the MerVal, which now comprises 22 stocks in all representing approximately 25.9 per cent

of the weighting. Two of the three companies added to the MerVal are

World (288)

Letin America Argentina (20) Chile (12)

Peru (15) Latin America (95)

Baring Securities emerging markets indices

+6.07

+25.21 +1.35 +3.08 -18.56

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News round-up

Buenos Aires-hased thermal power utilities. Central Costanera and Central Puerto. The third newcomer is Citicorp **Equity Investments, which** has stakes in telecommunications, natural gas. oil, and timber products

The four stocks left out of the MerVal are the petrochemicals group, Indupa the cement maker, Corcemar, and Banco del Sud, as well as Nabisco's local food company. Terrabusi.

IFC Factbook

The International Finance Corporation (IFC) has released the 1994 Emerging Stock Markets Factbook*, which provides detailed information of 50 stock markets in

developing countries. This year's factbook presents for the first time IFC's available to foreign investors), broken down by industry.

It also includes an introductory section with detailed information on how emerging markets are defined economic and stock market characteristics, and expanded analyses of the IFC indices as well as individual markets.

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IFC is a World Bank subsidiary, and the leading multilateral source of equity and loan financing for private sector projects in developing

countries. *Available for \$75 from: International Finance Corporation, Emerging Markets Data Base, Room I-3-175, 1850 I Street, NW, Washington, DC 20433. Tel (202) 473-9550; Fax (202) 676-9299.

Israel

Israel's prime minister, Mr Yitzhak Rabin, was worrled this week after Tel Aviv's Mishtanim, blue chip index hit a low of 148.01 on

He said he was "worried because I'm convinced that the economic situation is far better than it is given expression in the stock

exchange". responded and the Mishtanim made a three-day recovery to close the week 10.6 per cent off its lows at 163.83 still, unfortunately, 36.6 per cent off its high of 258.44 the year.

 Emerging markets coverage appears daily on the World Stock Markets page

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Dollar's fate linked to G7 statement

the related increase in interest

rates has squeezed economic

growth this year. In the first quarter, the economy barely

If the general rules that markets only respond in unex-pected holds true, foreign exchange trades will reading a widely predicted of statement, devoid of any pro-

gramme 🕷 dollar support. A stream of statement from senior G7 figures last successfully doused and tions of anything was than the familiar blandishments against currency volatility from the summit. Most analysis believe the market will respond by selling the dollar, though G7 leaders have probably been successful in enthat in decline is gradrather than precipitous.

But this is not a unanimous view. SBC, for example, in its latest currency weekly, argues that the dollar may be the beneficiary of a short-term, G7 inspired bounce. Although standing by its long term bear view on the currency, SBC said a "G7 deal on FX should not be

Of similar mind is UBS which argues that the currency market's willingness to sell the dollar is unlikely to go uncorrected. We expect the central banks to undertake concerted and sustained intervention to prevent dollar weak-ness causing further volatility on bond and equity markets.' after last week's muwded

agenda of policy meetings, market attention will this week revert to statistical releases. PPI, CPI and Retail sales figures will be released, and these should give the Fed a better picture of the US economy. Given the strong nonfarm payroll figures released last Friday, some analysts are now arguing that the likeli-hood is of a 50 basis point rise

in the federal funds rate, rather than 25 basis points. The key data release will probably be the retail sales fig-ure on Thursday, which will shed light on the state of demand in the economy. Some analysts expect the

Fed to move as early as this

week. Others believe it will wait until its next meeting on August 16. Whether higher rates will help the dollar is a moot point. Four rate increases this year have done little for its fortunes, nor falling rates in Germany, but when rates in the two countries cross, probably towards the end of the third quarter, this may herald a turn in sentiment

Market attention will also focus on the currencles which have borne the brunt of dollar weakness (or D-Mark strength) such as sterling, the Italian lira, Belgian franc and Swedish krona. Mr Silvio Berlusconi, Italian prime minister, has promised this week



announce details of a budget

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FT GUIDE TO WORLD CURRENCIES

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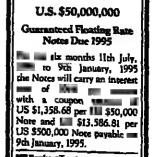
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NEW YORK

Philip Coggan

A stronger than expected US employment report on Friday

means that the main question facing the US bond market this week is when, and by how much, the Federal Reserve will next tighten monetary policy. The June employment report, showing an economy

still growing at a brisk clip, reinforced the market's fears of inflation and meant the yield on the 30-year benchmark Treasury issue broke up out of the trading range of the past three months to close 📟 Friday at 7.69 per cent, its highest since 1992.

Even before the job figures, many analysts were forecasting the Fed would tighten at the next meeting of its policy-making Open Market Committee, on August 16. But some now think interest rates could rise much sooner, possibly in the aftermath of this weekend's

G7 meeting. Statistical hurdles this week include June's producer and consumer price indices, due

US Benchmark vield curve (96) 8/7/94 --- Month ego -8.0 ~

10 years 20

Martin Dickson

on Tuesday and Wednesday respectively. The consensus forecast is for a 0.2 per cent rise in the PPI, excluding the volatile food and energy components, and 0.3 per cent for the CPI, on the same basis. June retail sales, due out on Thursday, are expected to show a 1 per cent rise on May, while Friday's industria production figures could show capacity utilisation rising to

around 84 per cent, its highest

reading in five years.

LONDON

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Senchmark yield curve (%)

8

'All yields are markst co Source: Menti Lynch

it still believe medium to

long-term gilt yields are too

high? Gilts were one of the best

performing world bond markets in June, giving some relief to those who despaired

downturn, Ms Katy Peters of

Daiwa Europe says the short

wrongly priced, since it has discounted an early increase

in base rates which she thinks

and of the market is still

will not occur.

of an end to this year's

Years

Gilt markets will have the regular mid-month menu of this week, with figures for retail and producer prices and unemployment all due. However, most attention will

probably be focused on Wednesday's average earnings data. April saw an unexpected fall in average earnings growth to 3% per cent, from a per cent in March. Expectations are for the annual rate to be unchanged in May but any acceleration would re-awaken inflationary fears, as would any further signs of ■ knock-on effect of higher commodity

prices on the producer prices or retail prices data. One eye will have to be kept on the international situation in case dollar weakness prompts either concerted G7 action, or unilateral US Fed action, on interest rates. Also keenly watched will be the announcement of the next glit auction on Friday. Will the Bank return to a conventional funding programme, or does

FRANKFURT

Central banks in Germany and the US met last week and did nothing to change interest rates; finance ministers of the G7 countries met in Naples and decided not to launch co-ordinated action to support

the US dollar. According to Mr Adolf Rosenstock at the Industrial Bank of Japan in Frankfurt, this creates "the imminent risk of massive shake-out in the foreign exchange

However, with bund prices displaying "remarkable resilience" in the face of dollar weakness, Mr believes German government securities are in a good osition to weather any storm that breaks early this week

Support from fundamentals will come from two sets of data due in the next few days retail sales for May and wholesale prices for June. Both figures are likely to add to the picture suggested by recent industrial output and manufacturing order data: that

David Waller

Germany Benchmark yiekt curve (%)* Month sec 7.8 73 -6.8 6,3 -.5.8 . 5.8

the German recovery from recession is less pronounced than seemed the case earlier in the year, and the risk of

10 yrs 20 "

corresponding upsurge in inflation that much less. Towards the end of the week traders may start looking ahead to June money supply data, likely to be released next Thursday when the Bundesbank policy-making council meets to review the development of M3 in the year

TOKYO

Fears of over-supply – the new Murayama administration plans to cover income tax cuts with bond issues - are sapping investor confidence and outweighing the impact of the

strong yen. Comments last week by Mr Masayoshi Takemura, the finance minister, that the government will postpone raising the consumption tax to cover the decrease in state revenues following from income tax cuts, hit bond

Press reports of an additional fiscal spending package of around Y6,000bn to help the economy, to be covered by deficit covering bonds, have also depressed sentiment. However, the outlook for the economy remains weak, and although many market participants this week will be focusing on the aftermath of the Group of Seven meeting, the yen's strength and economic indicators are expected to point to low

nflation and weak demand.

Benchmark yield ourve (%) C. . . S ... years

Emiko Terazono

According to DKB International, an average dollar/yen exchange rate of Y100 this business year would mean growth would remain at around I per cent, domestic wholesale prices would fall by 1 per cent and consumer rices by 0.6 per cent. Private machinery orders for May are expected to fail, indicating a poor outlook for investment, and bank lending for the year to June is also forecast to show a decline.

Capital & Credit / Conner Middelmann

Spotlight falls on high-deficit countries

The last region in bonds that turn in the participants a closer has at the matrix fast burfunding purific weighing 🚾 some European Maria Carolina

This in the tries' indebtedness was triggered of July 1 Skandia, the surance group 🛋 a big buyer 🖬 govcotting debt, bond maruntil the politicians found a topidale printing to the country's debt problem.

The not only government currency 📆 new lows for 🝱 📭 🕻 but investors' illeritori other high-deficit including Belgium, which 🗈 nursing 🖿 highest debt-to-

Europe. During last year's bond bonanza, stubborn, deficits were conveniently masked by heavy buying from foreign - predomi-nantly US - investors, into European bonds on hopes of further half is little. est in The high-yielding markets, yields were

expected in continue ing levels, these flows.

But were early IIIL The withdrawal of liquidity has problems that by year's heavy liquidity inflows," Mr Malcolm Roberts, head global bond UBS. result, yield convergence has been riffered in healt conthe

According to OECD mates, the Belgian debt-to-GDP ratio this year is likely to be a whopping 146.3 per cent. And while the country is running a primary budget surplus, the keeping a servicing H MH is cit at around Mil per twit N

While not in in Belgian league, Sweden's debt rapidly. The country's gross public debt is set to reach 92.9 per cent of GDP this year, ris-ing to 100.8 per cent next year, the OECD forecasts. Its budget deficit is expected to hit 10.7 per cent of GDP this year, down from last year's 12.9 per cent but still above initial forecasts, or rising the little have builded tell servicing

Political uncertainty of in in September and referendum on European Union membership in November is further undermining confidence in its financial markets. In the run-up to the elections, the government unlikely the needed in confidence. And if its opposition lead Department come to power, - on one-off income source list increases and attempts in preprobably heighten market fears, warm Mr Jouni Kokko, international warmed at

S.G. Warburg Reliance on foreign capital made some markets particularly with the bear market 1983 net borrowing was innanced by overseas buying of government bonds or an currency bor-rowing, and heavy foreign sales in year have taken their tell on we and and

"The rating agencies likely to become a lot more of the junkles in the present situation, which 🖿 case] should limit the

new low of Han per D-Mark

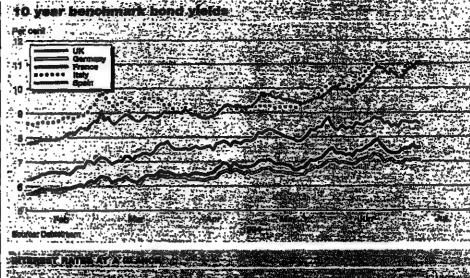
ability to finance cutaide the Swedish krona," warns Mr Mike Gallagher, director of economic research at market analysts IDEA. "In turn, this increases purchases of implies Dreif francisco des While Furopean W rencies weakening gainst I D-Mark, and of high-deficit countries have come under particular pres-

> last week; the Italian lira approached the key L1,000 Wat level as the Berlusconi government continued 🛏 delay publication of its plans; and Belgian franc usually as solid as 🔤 Rock 📰 BF20.70 | Hell to around BF20.59 mile two weeks market As a result of currency ness, mort-turn money market in countries with perlams have risen Swed-

at 7.28 per cent on Friday, up from weeks before; Belgian three-month rose to cent; and Italian three-month money climbed to 8.81 from 7.25 per cent.

However, raising rates the currency is no tion - if anything, it pounds the problem by increas ing the debt servicing cost. The only way out of the victous circle is to undertake drastic fiscal tightening," says Mr Kokko. "Many government still don't understand how serious the situation is, and now the markets are trying to force

While Warburg's analysis expect steady increases in long-term yields to continue, they say this constitutes an important part of the disinflationary process. As such, "real and nominal yields are rising to the point where they may (1) cause a financial accident; (2) cramp economic recovery; (3) force governments into more disciplined fiscal policy; or (4) bring about some combination of all three".





This announcement by Directors of PT Clbinong, Indonesia appears as a matter of record only.



PT SEMEN CIBINONG

Rights Issue of 72,980,000 Rights Shares at Rp 5,500 per Share

At the Annual December Meeting of PT I Cibinong held Monday, In June 1 manual approved an offering by the company of bar Rights Harri in every fine existing them. The Rights Harri will have part passu in Harri pas existing the state of their property and the entitled to apply for Rights I are in excess of their property and their property of foreign applicants to compliance but the ownership limits for foreign

PT Tirtamas Majutama, the company's largest Shareholder, has agreed to accept or procure the acceptance of its proposed allotment approximately 26 million Rights Shares, representing approximately 35.7 per Rights Shares.

Reasons for the Rights Issue:

The net proceeds of the Rights Issue will be wall by PT Semen Cibinong to subscribe to new shares in PT Semen Nusantara. Cibinong Group to maintain its share of the market in Java.

Timetable for the Rights Issue:

An announcement of the Rights Issue and on The Jakarta Exchange 28 1 294. The following is drawn III the Immira of Shareholders:

Listing of wif first day for trading in the Rights certificates:

July 1994.

First day for registration and payment for Rights Certificates:

15 July 1994.

Last day was trading in Rights Certificates:

15 July III 15 August 1994.

Last time are exercise of Rights and payment at full:

5:00 p.m. War Indonesia Time on 22 August 1994.

Refund payments made for applications in right shares with have not been satisfied:

Rights including forms of application access Rights will be despatched to Qualifying Shareholders

together with a letter giving details of the Rights Issue, between 12 July and 15 July 1994.

and on behalf of PT Semen Cibinong

Hashim S. Djojohadikusumo, President Director. Jakarta, 🗷 June 1994.

International / Graham Bowley

Buyers still shy of South Africa

ment has worked hard to resssure international investors of its intention to keep its budget and a gray extent H has successful. IIII bond will require further with the new limits

The government's first budget on June 22 went a long way towards doing this. It was tough on public spending, with the budget deficit forecast to be 6.6 per cent of gross domesproduct for the financial year, down from 9 per cent two years

However, the sharp rise in bond yields on Tuesday following the resignation of Mr Dent Keys, III widely respected minister and the man largely responsible for proving South Ahite's Land credentials. how nervous the marremain.

ment, with many on h series of h of and development, will overshood targets. To fund the growing budget deficit it might then be tempted to print money, so fuelling inflation, or issue more bonds in world markets, so driving up yields. However, South African gov-

South Africa's new govern- erament bond yields have risen almost 3 percentage points to almost 15 per cent since the start of the year and only part of this increase can

be explained by these fears. The rise in yields is due mainly to the fall in world bond merkets; South Africa, like most of the world, has been buffeted by worries about strengthening global economic recovery and rising world

This is understandable, since in South Africa it is international investors who on the margin are the main influence on bond yields, and increasingly so as more foreign investors are tempted into the newly open economy.

At the end of 1992, the South African public sector bond market was roughly the equiv-alent of \$59.4bn in size, about the same as Australia's.
Although most of the country's
government bonds are owned
by domestic investors, they are constrained by foreign exchange controls and tend to hold on to bonds to maturity

rather than trade them.
It is therefore unlikely that South African bond yields will fall back until international sentiment improves and bond yields, especially in the US, The economy came out of a

three-year recession last year and is expected to grow by

boosted in part by overseas investment and by export growth after years of an international boycott.

Inflation has fallen significantly from the double digit of the 1980s, to per cent in May, and although with renewed economic growth it may not have further to fall, it have a beneficial impact on the bond market.

This relatively bright outfor South has to be tempered with caution as the situation could turn sour. The money supply is expanding rapidly - M0 grew by a

preliminary 22.8 per cent in the year to March – an indication that inflation may be more of a problem in the future. That could mean a serious test of the Reserve Bank's, and governor Chris Stals', autonomy at a time when the new government will not be keen to see a rise in interest rates. A further risk is political. So far, the new government of

national unity has worked well. But the pressure on the administration is tremendous and the expectations of the formerly disenfranchised population are great; conflicts between the finance ministry and other government depart-ments on spending levels may benberg, who will succeed Mr Keys as finance minister later this year, will be of primary importance. An experienced banker, with no formal political affiliations, his appointment shows the government intends to keep a firm hold on

public spending However, he lacks Mr Keys' powerful personality, and with-out Mr Keys' carefully nurtured relationship with top fig-ures in the African National Congress, he may not command the same respect in the new government.

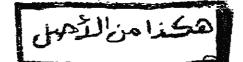
"There may be a change of face, there may be a change of style, but there won't be a change of direction," Mr F.W. de Klerk, deputy president, said last week.

With such unlikely lellows in the new government, the financial markets will take some convincing. There is no doubt that international investors will be watching developments closely, even more after being unnerved by Mr

Keys' departure.
As it steps up its efforts to acquire an international credit rating in an attempt to return to the international capital markets, the government may, therefore, be even stricter than it would have been with its public finances and implement the spending controls proposed in Mr Keys' last budget in full

NEW INTERNATIONAL BOND ISSUES

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point out that some of the Jap-

anese OTC companies are

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But in Japan, the domestic public offerings market

remains tightly regulated by ministry of finance. The

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Foreign investment

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At the same time, analysts

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EQUITY MARKETS: This Week

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Source: FT Groupides

Results could give share prices a boost

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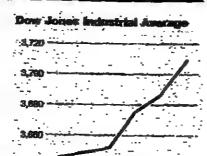
The second-quarter corporate results season opens in earnest this week and investors await news of company earnings with the usual mixture of hope and trepidation.

Judging by recent buying patterns. however, some investors believe good earnings are around the corner. If they are right, share prices will receive a much-needed boost at a time when the Federal Reserve could be poised to sanction another demand-sapping increase in interest rates.

The highest hopes - strong second quarter earnings have focused on the big industrial companies whose profits are tied closely to the movements of the economic cycle Because of recent evidence (including pointing to a more expansionary second-quarter economy than expected, investors have been buying up cyclical

stocks in the past few days. Motor vehicle manufacturers have been especially buoyant lately, cheered by forecasts from analysts of quarterly earnings that could be double those seen a year ago. Wall Street is bullish on the sector because it believes improved North American sales and a sustained focus on cost-cutting will have combined to produce significantly improved profits.

Two other sectors likely to have benefited from the strong pace of economic growth are long-distance talecommunications and rail transportation. Analysts predict that calling volumes will have grown about 9 per cent in the quarter.



Patrick Harverson

The big railroad companies have also been reaping the benefits of a healthy economy, with rising freight-rail traffic boosting revenue growth.

Jul 1995

y.1

The news is unlikely to be so positive in the financial sector, primarily hecause in an environment of interest rates, the earnings of banks and securities brokerages almost always suffer.

Securities firms, in particular, are likely to be reporting sharply lower second-quarter earnings than we year ago, when the lowest interest rates in 30 fuelling an unprecedented boom in Wall

In the commercial banking industry, earnings growth, which has been on a steadily upward path for the past two years, is unlikely to show as sharp a retraction as in the securities industry. However, some sort of slowdown is expected, particularly at the big money-centre banks which are also active traders in the financial

Overall, the outlook for corporate profits remains bright. The only question this week is whether investors will be able to focus on earnings with the land of interest rate increase hanging over their heads.

back to the anticipated flow

Helping the return to

announcement of the latest

normality will be the

market indices.

results today.

Strategists put

new emphasis on growth

LONDON

If only the US dollar can at least stay in line this week, the London market can rely on support from most of the leading market strategists, even if the boyers still appear somewhat less convinced.

The threat to global interest rates kooks less menacing than a month ago, and dividend and earnings growth reinforce forecasts of a gain of around II per cent on the Footsie by the

Not that the danger of renewed upsets in the bond markets is entirely consigned to history. BZW uses bond market doubts as its reason for cutting its 1994 Footsie forecast to 3,400. Its previous year-end target of 3,600 was at the higher end of what may perhaps be called the serious market range. But BZW explains its move by saying it is "putting greater emphasis on the

momentum from growth". "Growth" has strengthened in ride as the underlying theme of most strategists' views as the tensions surrounding global interest rates have

appeared to leasen. S.G. Warburg, sticking with its 1994 forecast of Footsle 3,500, believes that the response to last week's industrial output statistics indicates that the market is no longer afraid that economic growth merely threatens

higher interest rates. Dividend prospects are stressed by BZW, which estimates dividend growth of 10 per cent this year with the likelihood of similar improvement next year. This would put the stock market yield at II per cent which would widen. the yield gap against bonds

FT-SE-A All-Share Index 1,470

Terry Byland

substantially, even without any retracement of the rise in gilt yields

seen so far this year. BZW also points out that this mouth traditionally gives institutions their biggest injection of dividend income for the calendar year. With dividends already showing growth of around 6 per cent this year. suggestions of a liquidity squeeze on

Jul 1994

the institutions could prove a snare. Strauss Turnbull, aiming for a Footsie of 3,200-3,400 this year, similarly holds to its view that strong economic growth, backed up by accelerating dividends and corporate arnings, will wipe away 📠 of the uninspiring equity market performance in the second quarter.

A heavyweight the bull case is presented by Hoare Govett which, with = Footsie forecast of 3,500, is among the more aggressive market champions. Hoare rejects bond market worries: "Gilts... more than discount the rise in inflation over the next two ears," core inflation "only 3 per cent at the end of next year," and the fashion for index-linked gilt yields

This is all very encouraging. The question to be answered is whether it will stand up if the dollar gets into

International offerings / Emiko Terazono

Amway sparks interest in global Japanese issues

Last month's global offering by Amway Japan, Japanese arm of the US home care prodgroup, attracted of international buyers. As the first international offering by Japanese company for more than two years, the deal has sparked interest in global issues among other Japanese

Mell-known name, a stable profits record and extensive been attributed as the ingredients for the deal's securities point out there has recently been clear in Japanese issues among international handle in the UK, Europe and Hong

Many Japanese companies have now begun to look in equity market for funds. According to the minis-try of finance, net purchases of Japanese Herr by investors totalled a record March, an eight-fold rise the previous year.

"We lave it ment Jana uese companies currently looking III [IIII] IIII III 8 of fundraising," said an official at Morgan Stanley

Wen deposite transmission increasingly restrained in their following sharp falls in threatherd

investment profits, interna- nese OTU stocks, which tional likely be ing Japanese companies.

Barlier this month Nippon Telegraph and Telephone, country's partially privatised telecommunications operator. announced it was applying to list on London and York stock exchanges to enhance its profile among the global financial community. Although the listings them-

are directly linked to a capital-raising it is given the ministry of finance, which still owns two-thirds of NTT, the option offer its holdings on the two Smaller Japanese companies

are also trying III increase their appeal m international investors. University making bought a net \$4.17bn in overthe counter stocks last year, 3.6 times that of the previous year. Many have picked up Japanese III shares strong growth potential part of their emerging market

The increase in initial public following the try finance's lifting restrictions earlier this year, has also helped boost invest-ments in OTC compani Thomas Norton Associates, a US In researching company specialising in Japa-

The restrictions, say foreign investment banks, page 2 threat to Tokyo's as a leading financial

Japanese companies have long raised capital on overseas bond markets as a result of the tightly regulated domestic market. It may not **iii** long before a similar trend develops within global equity markets.

OTHER MARKETS

JOHANNESBURG

Investors will be hoping that last week's falls, following the resignation of the respected. finance minister, Mr Derek Keys, will prove transient and the long bull market will resume its upward trend. writes Mark Suzman.

After outperforming all other major bourses in the three months to June, Mr Keys' sudden departure pushed the Johannesburg market into PEVELBO.

However, with a competent and reliable successor named. former banker Mr Christo Liebenberg, brokers will be hoping that the focus shifts away from government and

FRANKFURT

of foreign funds to the market following its recent inclusion Shares in Siemens, the on some important emerging electrical and electronics multinational, were under pressure on Friday ahead of sight-month figures due to be announced today.

quarterly results from the country's gold industry. Gold Fields, one of the big by strengthening foreign mining houses, will be reporting its June quarter sarnings flat. Analysts caution that

although the weaker rand will have helped production, its effect will have been affect by work stoppages at major mines over the election period. Absolutely impossible to gauge," says Mr Bruce Williamson of JD Anderson.

ZURICH

analysis forecasting group sales, expressed in local currencies, to have risen by At the half-way stage, the 10 to 12 per cent in the first half, after a 12 per cent

group reported a 16 per cent fall in domestic sales, offset business which left group net Karstadt, the retailer, holds

its annual shareholders meeting on Wednesday. Lest month, Germany's biggest retailer following the recent purchase of Hertie, reported that group turnove in the first five months of this year soared by 31.7 per cent.

Str-month sales figures could be on the way from Roche late this week or early next, with budget proposals. The market also looked

increase in the first quarter Expressed in the relatively strong Swiss franc, first-half sales abould have risen by 5 to 6 per cent.

An 18 per cent increase in net profit is forecast for 1994. Last week, Roche certificates tumbled after Mr Andrew Tiverton at James Capel in London downgraded the issue to a hold after five years on the buy list.

MILAN

The market will be hoping to regain some momentum after publication, promised for mid-week, of the long delayed details of the government's

fragile towards the end of last week after rumours, subsequently denied, of government splits and ministerial resignations.

Directors of Ciga are expected to bring to an end the battle for control of the hotels group tomorrow by handing over effective control to ITT, the US group which owns the Sheraton hotel chain and which has a direct stake of only 17.4 per cent:

MADRID

Second-quarter results are expected from Banco Popular Hoare Govette views the bank as possibly the most compelling buy case in the European banking sector. By concentrating almost exclusively on domestic retail business which offers the most attractive terms within the banking industry, Popular has avoided diluting its returns by diversifying into lower yielding activities and

Far from rendering it more vulnerable to competitive pressures, this tight focus gives Popular a significant broker says.

markets.

TOKYO

Investor confidence will largely remain dependent on the strength of Mayen against the US dollar, as a higher Japanese currency is seen as a threat to economic recovery and to the competitiveness of the country's exporters, writes Emiko Terazono. Economic data expected this

week will provide evidence that the country's recovery remains week. In spite of a record low official discount rate, the

benefits of low interest rates are barely filtering down to the real economy, since bank lending rates are still high due to the rise in long-term bond

Trible been this

announcement as a matter of and only.

Meanwhile, with most investors sidelined in such an unpromising environment, trading is likely to be dominated by technical activity led by the arbitrageurs.

Even overseas investors. who have been the leading supporters of Japanese shares, are starting to take profits to take advantage of the higher

Foreign investors were not seliers for the second consecutive week during June 27 to July 1 and traders expect the trend to continue as long as the yen maintains its current level against the

Compiled by Michael Morgan

<u>Beendthanneamhea</u>

Southwark)

An Open invitation

20 July 1994 at Hay's Galleria 9am - 7pm

 The London Borough of Southwark invites you to Hay's Galleria to celebrate the Jubilee Line extension project which will open up four new sections across the Borough early 1998.

Vigit Hay's Galleria, see the addibition, live music and street entertainment - see how much Southwark has changed.



Opening up major opportunities for investors, developers and businesses with improved links to the City, West End and Docklands. The Jubilet Line is a track to Southweek's future and a gateway to the new Channel Terminas into Europe.

> **Get on board with Southwark** .For mass information telephone 071 525

Southwerk Jubilee is supported by South Thamas Training & Enterprise Council € Landon Docklands Develop

CONTRACTS & TENDERS

INVITATION TO TENDER

for building an Air Traffic Services Center The Air Traffic and Airport Administration of the Ministry of Transport, Communications and Water Management of the

Republic of Hungary is announcing a single-round open tender for organisations or enterprises who are capable of designing

and building as well as installing the technological equipment of the central building of the Hungarian Air Traffic Services Center under the terms of ■ Prime Contract. The Republic ■ Hungary has signed ■ finance contract with the European

The tender is open, under the same conditions, to all firms (natural persons or cosporate bodies) from at least the member countries of the European Union (EU) and Hungary. Detailed Tender Documents will be available on payment of 100.000

The documents of the present Invitation to Tender will be available in Hungarian and English copies. Both versions are

considered as equivalent in every respect. Each Tenderer will be entitled to receive only one copy in one of the languages for

Dr. József Farkas, Head of the Investment Department

"LÉGIFORGALMI ÉS REPÜLOTÉRI IGAZGATÓSÁG" (AIR TRAFFIC AND AIRPORT ADMINISTRATION)

H-1675 Budapest-Ferihegy, Pf. 53

HUF from 15 July 1994, between 9.00 am and 1.00 pm on working days, at the address given below.

July 11, 1994



The Republic of Argentina

DM 500,000,000 8% Bonds of 1994/1997

payable annually in arrears an July 11

Repayment: July 11, 1997 mi por

Frankfurt am Main

DELITSCHE BANK **AKTIENGESELLSCHAFT**

CS FIRST BOSTON EFFECTENBANK AKTIENGESELLSCHAFT

BAYERISCHE LANDESBANK

SCHWEIZERISCHE BANKGESELLSCHAFT

BANKERS TRUST INTERNATIONAL PLC

BAYERISCHE VEREINSBANK

MERRILL LYNCH BANK AG

GIROZENTRALE

(DEUTSCHLAND) AG

ABN AMRO BANK

AKTENGESELLSCHAFT

CHEMICAL BANK AG

(DEUTSCHLAND) AG

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(36) 1-157-54-87; Telex No: 22-64-78 Telephone No: The payment shall be made to the credit of account No 232-90173-2825, which is administered by the National Bank of Hungary, Payments in cash will also be accepted on the purchase site. The Bids shall be submitted not later than 12.00 o'clock L.T. 17 October, 1994, at ATAA, Investment Department, Secretarist. Currency or Bond Fax - FREE 2 13.00 L.T. 17 October 1984

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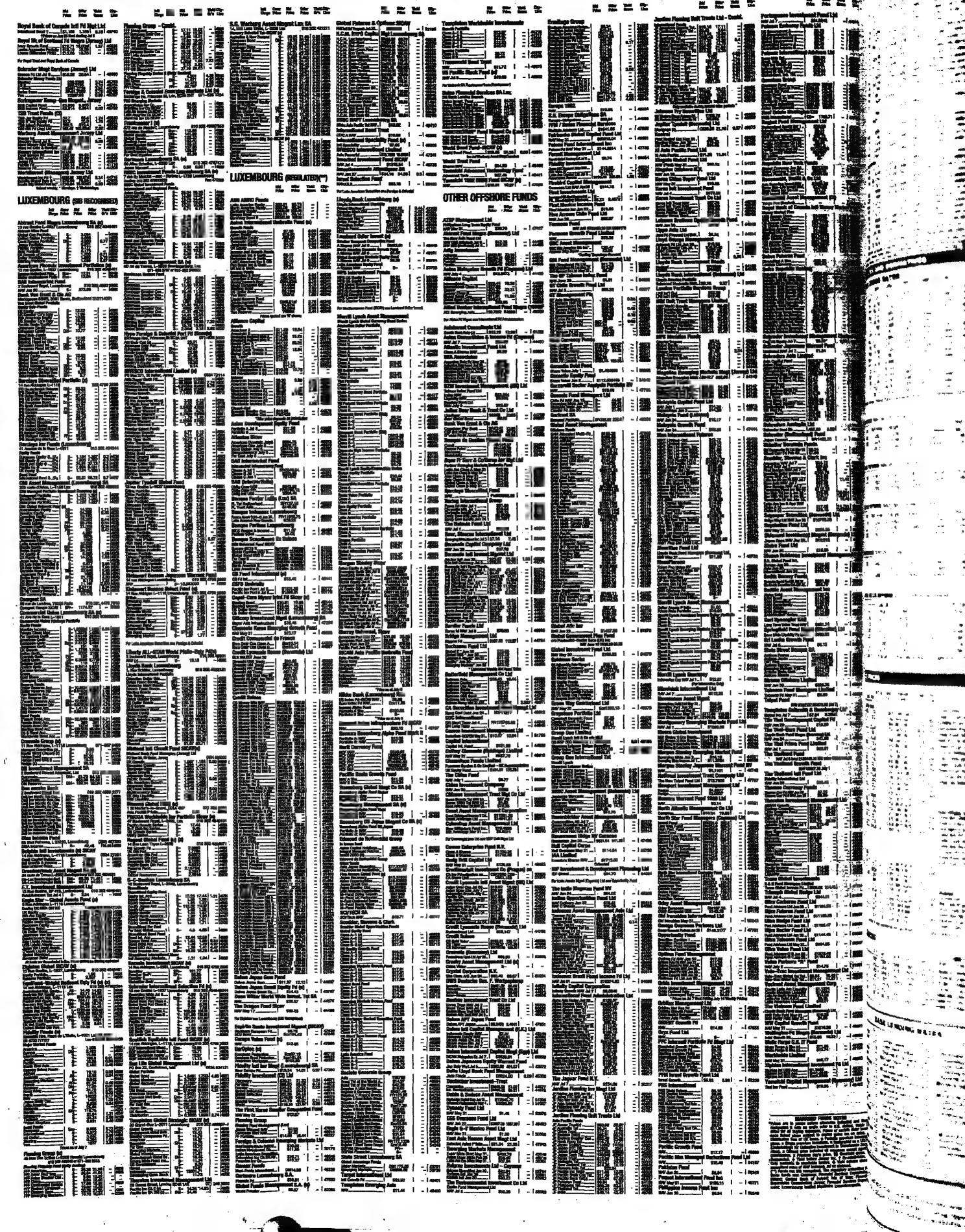
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11

MONDAY

Mid-East peace phase two

Israel and the Palestinian Liberation Organisation, buoyed by the completion of the first phase of their peace process, begin talks in Cairo on the second phase - the extension of Palestinian self-rule from Gaza and Jericho across the West Bank.

Two working groups will meet concurrently. The first will discuss the transfer of power to the Palestinians in the education, health, social welfare. tourism and direct taxation. A second group considers the sensitive issue of Israel's failure to honour its commitment to release up to 6,000 Palestinian prisoners.

Germany presents plans for its six-month presidency of the European Union to finance ministers in Brussels. The agenda includes: a planned deregulation committee to study whether EU and national laws are stifling jobcreation; macroeconomic guidelines for progress toward a single currency; and proposals for closer contacts with employment ministers to discuss labour market reform.



The country's constitutional conference re-starts in Abuja, after a two-week adiournment to finish fitting out the delegates' accomnodation In the interim. Moshood Ahiola

(above), the deposed winner of last year's presidential poll, has been arrested and charged with treason, and junior oil workers have gone on strike against military rule. On Tuesday, senior oil staff are due to join them. The strike could spread to other unions. Abiola's appeal for bail comes to court on Thursday.

Osaka District Court is due to rule on an appeal by central government, Kumamoto Prefecture and Chisso Corp. a chemicals group, against a Y2bn (\$20m) compensation order awarded to a sufferer from mercury poisoning allegedly caused by Chisso.

Alitalia strike: Staff at the Italian state airline plan a 24-hour strike in protest at restructuring plans aimed at turning round the loss-making national carrier.

Kazakh tax: A conference on creating an investor-friendly taxation system for the oil-rich central Asian republic of Kazakhstan begins at the Confedera-tion of British Industry in London.

World Population Day has been declared by the United Nations, to highlight demographic problems. The UN's approach to family planning has been attacked by the Vatican as "biological colonialism".

TUESDAY

Auch Clinton ist Berliner President Clinton will be treading in

the footsteps of John F. Kennedy, with a hig set-piece speech in Berlin. His audience is eagerly awaiting a repetition of President Kennedy's

ein Berliner" - which actually means "I am a (Berlin) doughnut". If President Clinton corrects the phrase to "ich bin Berliner", it might mean what he wants it to mean.

famous grammatical gaffe - "ich bin

German troops and the UN: The German constitutional court in Karisruhe is due to pronounce on the divi-sive issue of whether German soldiers should in future be allowed to serve on missions outside the Nato area.

The court is expected to announce a qualified yes, with the proviso that all future missions, including blue-helmet exercises for the United Nations, should be individually approved by parliament

Grim tally at Crédit Lyonnais:

The French National Assembly publishes the report of its inquiry into mismanagement at the stateowned Crédit Lyonnais bank which recorded a FFr6.9bn (\$1.2bn) loss last

According to leaked accounts, the report criticises both the former bank president, Jean-Yves Haberer, for piling up had losms, including more than FFr40hn in doubtful property loans that have now been hived off into a separate state-backed company, and the French Treesury for not stepping in earlier.

Taiwan aid meeting: The foreign ministers of seven central American countries are meeting in Taipei to discuss development projects in their respective countries, for which Taiwan may consider providing funding or technical assistance.

Hosted by Taiwan's Ministry of Foreign Affairs, this will be the third annual meeting of the Central American Commission, whose members are Nicaragua, Guatemala, El Salvador, Honduras, Belize, Costa Rica and Pan-

All confer diplomatic recognition on Taiwan rather than on the People's Republic. In return, Taipei offers loans for development projects and small and medium-sized businesses and other forms of support.

UK training: Britain's 82 Training and Enterprise Councils hold their annual meeting at Birmingham International Conference Centre (to Thurs-The councils are responsible for delivering government-funded training

development. The guest speaker is Prince Charles. FT Surveys: France and World

Automotive Components.

DOWN

without vase (4)

programmes and fostering economic

13

WEDNESDAY

Murder law faces overhaul The Law Commission, the British

government's law reform body, issues a consultation paper about the future of the 16th century "year and a day" rule. Under the rule, an assailant cannot be charged with murder or man-slaughter if the victim dies more than a year and a day after the assault. Barbara Mills QC, director of public prosecutions, has called for the rule to be abolished. She disclosed that six people had escaped possible prosecution for murder in recent years as

Spanish economy: June's consumer price index, published today, is expected to show a 0.1 per cent fall in headline and underlying inflation to give year-on-year rates of 4.8 per cent and 4.5 per cent respectively. The Bank of Spain, which holds its 10-day repurchase tender of central bank certificates today, is likely to keep its benchmark intervention rate unchanged at 7.5 per cent.

UK economy: A spate of data today will focus attention on the pace of economic recovery.

The figures are expected to show that seasonally adjusted unemployment continued falling in June by some 20,000 a month - although analysts point out that this does not appear to be matched by rises in the employment total

Meanwhile, May's average earnings data and June's retail price index are expected to indicate that inflationary pressures remain subdued in the economy, in spite of a steady industrial

An experiment in faith: More than 400 international delegates, comprising world class scientists, philosophe and theologians, gather for the third annual C.S. Lewis Symposium at Queens' College, Cambridge. Today they will discuss "Ways of Knowing", in the course of a conference to explore the relevance of Christian faith to modern science (until July 23). Simon Barrington Ward, C.S. Lewis' former colleague and chaplain, will attend.

Buxton Festival: The opera festival begins today in the Derbyshire spa town in England's Peak District (to July 31).



FT Survey: Argentina.

ECONOMIC DIARY

and the same Nuclear penalty: will North Korea's substitute adopt an attacking strategy in deliance of President Clinton and the UN?

15

FRIDAY

Political Football

14

THURSDAY

UK in talks on Falklands oil

British and Argentine negotiators meet

in Buenos Aires for two days of talks

to seek a formula that would allow

development of Falkland Islands off-

the islands and threatens to obstruct

oil reserves. The Falklands' 2,000 inhab-

itants reject Argentina's participation.

fearful that it will use this as a prece-

india's public sector employees have

called a one-day national strike to pro-

UK defence spending: Big cuts

in support services are expected to

be announced by Malcolm Rifkind,

defence secretary. Up to 24,000 jobs

may be lost or privatised, with the

sharply affected. Several procurement

French National Day: The annual

Bastille Day parade down the Champs-

Elysées takes place in Paris. For the

invited to take part, among them 190

Golf: The 123rd Open Championship

begins at Turnberry, near Ayr, Scot-

Holidays: France (Bastille Day).

first time foreign soldiers, from the

four-nation Eurocorps, have been

RAF support service likely to be

shore oil reserves. Argentina claims

the UK's unilateral exploitation of

dent to advance its claims to the

lest against privatisation.

decisions are also due.

regular German troops.

FT Survey: Merseyside.

land (to July 17).

Delors' successor sought

German chancellor Helmut Kohl has called a summit of European Union heads of government to find a successor to Jacques Delors as president of the Commission. The decision follows the vetoing of Belgian prime minster Jean-Luc Dehaene by British prime minister John Major.

The German cabinet is supposed to approve the draft budget for 1995, with spending control and likely further restrictions on unemployment benefits, in an effort to keep the federal government borrowing requirement below DM70bn (\$46bn) a year. Mr Theo Walgel, finance minister, will spend all week negotiating final reductions.

Middle Europe redivivus: Prime ministers and foreign ministers of the Central European Initiative, which is composed of 10 nations from the territory of the former Habsburg Empire, begin a two-day meeting in Trieste, the old Empire's main port.

UK inhastructure: The Al4 trunk road between the A1 and the M1, the only east-west link south of the M62 built to motorway standard, opens officially. The road improves travel between east-coast ports and the Midlands and the north of England.

ondon Proms: The 100th series of Henry Wood Promenade Concerts begins at the Albert Hall in London (to September 10).

Holldays: France.

16-17

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WEEKEND

Korean summit nears

Japan's new prime minister Tomiichi Murayama may visit South Korea on Saturday in order to hold talks with President Kim Young-sam, in advance of the inter-Korean summit. The summit, scheduled to take place in the northern capital Pyongyang on July 25, may be affected by the recent death of North Korea's Communist leader Kim Il Sung.

in Taipel, polls to choose provincial local government for Taiwan/Fujian open on Saturday.

Colombo votes: The ruling United National Party begins its election cam-paign with a public rally in the central Kandy hills of Sri Lanka.

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Mid-East shuttle: Warren Christopher, US Secretary of State, begins his third Middle East shuttle this year on Sunday. The intention is to revive the stalled peace talks between Israel and Syria about the giving up of the Israeli-occupied Golan Heights in return for full peace.

Mr Christopher's visit comes in the wake of warnings by Israeli leaders that the next three months represent a "make-or break" period for a peace agreement with Damascus.

Football: The final of the World Cup is played in Los Angeles on Sunday.

Edited by Patrick Stiles and Martin Mulligan. Far: (+44) (0)71 873 3194

Other economic news

Monday: As markets digest the implications of the G7 policy meeting last weekend, a spate of inflation data will be issued this week. In the UK, the June producer price index will be scrutinised for any sign that rising commodity prices and industrial growth are raising prices. Input prices are expec-ted to increase slightly on the month, but to remain below last year's levels.

In Germany, May's retail sales data, issued early this week, may point to a small annual improvement in spending, but consumer confidence remains fragile.

Tuesday: With the markets now predicting that the US will be at the forefront of any pick-up in world inflation. June's consumer price index will be watched with interest. It is expected to to show a small monthly rise.

Friday: June wholesale prices indices for Japan and Germany are due at the end of the week. The German index may have risen slightly on the month; the Japanese one is expected to be flat. May's instrial production data are likely to provide further indication that the sharp downturn in Japanese manufacturing last year is now bottoming out

ACROSS

1 Dawn washed up, a significant development (12)

10 Companion that is smart above all (7)

11 Arrests retired man as in prouble (7)

12 Cot previously put outside,

12 Cat previously put outside, you said (5)
13 Taking Peter to a new musi-

cal performance (8)
15 Doctor at No 1 backs remedy

28 Turning red, gent's then given braces? (12)

Statistics to be released this week

Referencé	Country	Enclosed: Startletic	Median Forecast	Actual
Monday	rance.	dans consumer prices inck prelim*	0.1%	0,2%
July 12	France -	June consumer prices induprated.	1.9%	1.7%
	LBC .	June pred prices indic, input	0.8%	0.9%
	UK .	June prod prices inds, input	0.3%	-0.1%
	UK .	June prod prices Inde, outpot?"	0.2%	0.096
	UK ·	June prod prices Inde, cuspette	2.1%	. 2%
	LK ··	Ditto, ex food, attink & sobscep	2%	296
	Carada.	June housing stirfs, units	162,800	:157,000
	Carrecia .	May motor vehicle sales	21%	-4%
Tuew	US .	June producer prices, indx	0.3%	-0:196
July 12	Lis ·	Ditto, ex food & energy	0.2%	0.4%
	US .	June Atlanta Fed Indx	-: .	14.8%
٠.	US · ·	Johnson Radbook, we July 5 :-	<u> </u>	3.5%
	US	June consumer prices indt	0.3%	0.2%
	US ·	Ditto; ex food, chink & tobacco.	0.5%	0.396
	· Japan	May machine orders, ex ships etc."	4	-2.5%
	Japan	May machine orders, ex ships etc."	-	-14.2%
	N'Isnds	May producer prices mix.	4	-0.396
Wed	Fisher	Apr current s/ct	1Fi3:75bs .	FFr3.3bo
July 13	·UK	Jone retall price tody	0.1% ·	0.3%
	UK	June retail price indx** · .*	2.7%	20%
٠.	UK .	Dimo, ex mortgage int payments	2.8%	25%
	₩.	June unemployment rate	-20,000	-20,100 .
	UK	May average semings	5.75%	3.75% .
.1.	\$ BC	May will willow 3 monthly	7 994 .	1004

Day Released	Country	Economic Statistic	Median Forgast	Previous Actual	
Thur	US	June retail sales	0.6%	-0.2%	
Jul 14	US	Ditto, ex autos	0.8%	0.3%	
	US	inities claims, July 9	337,000	352,000	
	US	State benefits, July 2	-	2.75m	
	US	M2, w/s July 4	\$2.3bn	\$1.7bn	
	US	Monthly M2	\$8.8tm	\$1.2bn	
	Sweden	June consumer price indic*	2.6%	23%	
Prid	·US	June industrial production	0.4%	0.2%	
July 15	US	June dapacity utilisation	83.7%	83.5%	
	US	May business inventories	0.6%	0.2%	
	us ·	June bank ¢radit	*	- 2.1%	
	"depen ",	May industrial production?		-1.9%	
	Japan	May shipments†	-	-2.1%	
	Caranda	.lune consumer prices huk", not?	0.0%	-0.2%	
	Canada	Ditto, ex food & energy, not?	0.2%	0.1%	
Disting t	ho vicek	•			
	:Japan	June wholesele price Indic*	*	0.1%	
	Japan	Juste wholesale price indo		-2.3%	
	Garmeny	May retail seles, west"	0.3%	-10%	
	Gosnárty	Ditto, pen Germany**	0.0%	-10%	
	Gamany	June wholesale price indx"	0.3%	0.5%	
	France	May 183°	0.3%	0.5%	
	Italy	May industrial production*,not†	1,3%	-1%	
•	Italy	1st qir gross domestic product	1.2% .	0.3%	

2 Were supreme soldiers Capone forces criminal out of 4 Plays from Tolstoy superbly produced (4)

Communist, not married, amployed and transferred elsewhere (10)

Say something extreme (5)

Man's man holds ball raised (10)
16 Hero left after bride's reply (4)
18 Arrears on divan brought
back last night (4)
20 Bargains mere agents sorted

augus (7)
8 Quarters loan (13)
9 Prove to me conservationists
wanted business (13)
14 For men only race standing 20 Bargains users agains out as still (10) still (10) 22 Shift a bed around for the 17 Good French members came 22 Shift a bed around full regards (8)
24 Language of love in one lacking brilliance (5)
26 It involves folding paper for a giro i'm preparing (7)
27 Managed to continue to find capital (7)
28 Therefore red reprise them without vase (4)

MONDAY PRIZE CROSSWORD No.8,502 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 235 Pelikan vouchers will be awarded. Solutions by Thursday July 21, marked Monday Crossword 8,502 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI SEL. Solution on Monday July 25.

Winners 8,490 Gillian Malcolm, Chiswick

S. Armitage, Birmingham Mark Cantley, Brussels G.P. French, Ontario T.L. Richardson, London, S.W. Barry Roe, Leicester

Solution 8,490

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